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Government  
Publications

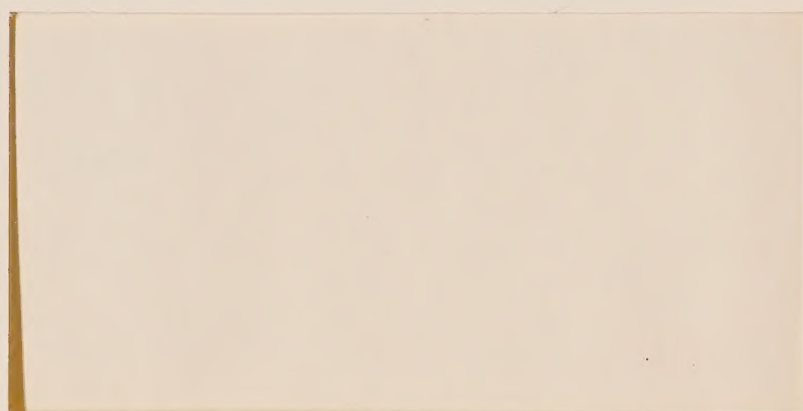


# Ontario Energy Corporation



## ANNUAL REPORT

Period ended March 31, 1975





CA20NES100  
-A56

Ministry of  
Energy

100-100-000

100-100-000

100-100-000

January, 1975.

TO THE HONOURABLE PAULINE A. MCLELLAN  
M.P., P.C., M.B., D.C. (P.C.)

Minister of Energy of the Province of Ontario

AND IT PLEASE YOUR HONOUR

I take pleasure in submitting the first Annual  
Report of the Ontario Energy Corporation for  
the period ended March 31, 1975.

Respectfully submitted

## ANNUAL REPORT

Period ended March 31, 1975



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University of Toronto

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Ministry of  
Energy

416/965-4286

Queen's Park  
Toronto Ontario

December, 1975.

TO THE HONOURABLE PAULINE M. MCGIBBON  
O.C., B.A., LL.D., D.U. (OTT)

Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the First Annual  
Report of the Ontario Energy Corporation for  
the period ended March 31, 1975.

Respectfully submitted

A handwritten signature in dark ink, appearing to read "D.R. Timbrell", written over a horizontal line.

Dennis R. Timbrell  
Minister





Ontario

Ontario  
Energy  
Corporation

416/961-7221

Toronto, Ontario  
M7A 2B7

November, 1975

TO THE HONOURABLE DENNIS R. TIMBRELL  
Minister of Energy, Ontario

Sir:

In accordance with Section 22 (1) of The Ontario  
Energy Corporation Act, 1974, I have the honour  
to present the First Annual Report of the Ontario  
Energy Corporation for the period ended March 31,  
1975.

Respectfully submitted



R.M. Dillon  
President





Ontario  
Energy  
Corporation

416/961-7221

Toronto, Ontario  
M7A 2B7

The Province of Ontario is dependant on other provinces and foreign sources for over 80% of its energy needs. In order to support the efforts of the Government of Ontario in implementing its policy of improving the security of energy supply to the Province, legislation was introduced in November 1974 to establish the Ontario Energy Corporation which would have the object of investing or otherwise participating in energy projects in Canada or elsewhere.

Potential investments by the Corporation in natural gas projects were to be given a high priority in view of the critical shortage of gas expected in the next few years. However, in mid-December 1974, one of the major participants withdrew from the joint venture, known as the Syncrude Project, to recover synthetic crude oil from the Athabaska Tar Sands in the Province of Alberta and, as a result, the Federal and all Provincial Governments were invited by the Government of Alberta to consider support for and participation in the Syncrude Project.

Following extensive discussions with representatives of other Governments, the chief executive officers of the oil companies remaining in the Syncrude Project and others, the Premier of Ontario announced that at a meeting held in Winnipeg, Manitoba, on February 3, 1975 the Government of Ontario had agreed in principle to acquire a 5% equity interest in the Syncrude Project.

It was also proposed that the Ontario Energy Corporation would be the appropriate vehicle for negotiating the necessary agreements and making the subsequent investment. Cash outlays of the Corporation up to the completion of construction of the project are estimated to amount to \$100,000,000.



In response to this initiative, steps were taken to complete the organisation of the Corporation. The first Board of Directors, comprising five senior civil servants, was appointed and \$100,000.000 in equity shares of the Corporation were issued to the Minister of Energy.]

### The Syncrude Project

The Syncrude Project will involve the mining, extraction and up-grading of crude bitumen to produce synthetic crude oil and other substances from Government of Alberta Bituminous Sands Leases numbers 17 and 22. These leases are located near Mildred Lake in the Athabasca area of the Province of Alberta. Construction of the necessary plant to produce synthetic crude oil up to the permitted level of about 125,000 barrels per day commenced in September 1973 and is scheduled to be completed in 1978.

At the Winnipeg meeting on February 3, 1975, it was agreed in principle that the new participation arrangements would be as follows:

Imperial Oil Limited	- 31.25%
Canada-Cities Service, Ltd.	- 22.00%
Gulf Oil Canada Limited	- 16.75%
Government of Canada	- 15.00%
Government of Alberta	- 10.00%
Government of Ontario	- 5.00%

The participants realized that completion of all the agreements relating to the Syncrude Project would take some time. The Corporation, with the other government participants, therefore agreed to advance monies towards the cost of construction on the basis of interim financing agreements entered into by the Corporation with each of Imperial Oil Limited, Canada-Cities Service Ltd. and Gulf Oil Canada Limited. As arrangements for interim financing were



not settled until after March 31, 1975 none of the advances by the Corporation were made before that date.

### The Polar Gas Project

The Corporation has also been authorized to participate in the Polar Gas Project up to a level of \$10,000,000.

The Polar Gas Project is a consortium of six companies, including the Ontario Energy Corporation, conducting the engineering, financial, economic and environmental studies necessary for the filing of applications before regulatory authorities to approve the building of a large diameter, high-pressure natural gas pipeline from the substantial natural gas reserves in the eastern high Arctic to southern Canada.

A major focus of the research is on the development of construction techniques to lay pipelines across the marine channels. A number of firms with world-wide experience in marine pipe-laying are at work in adapting methods proven elsewhere to the Arctic environment.

While no precise date has been set for an application to regulatory authorities, current activities are directed toward filing an application in 1977.

The Polar Gas Project is considering three alternative routes from the Boothia Peninsula to southern Canada. A forty-eight inch diameter pipeline system is being studied on alternatively the eastern and western sides of Hudson's Bay. The third alternative is a forty-two inch pipeline system directly south to connect with the existing Trans-Canada PipeLine System near Winnipeg.

APPROVED BY THE BOARD OF DIRECTORS OF THE ONTARIO ENERGY CORPORATION.

  
\_\_\_\_\_  
Director  
\_\_\_\_\_  
Director



# DELOITTE, HASKINS & SELLS

*Offices across Canada and associated firms throughout the world*

*Chartered Accountants*

ROYAL TRUST TOWER • P.O. BOX 283, TORONTO-DOMINION CENTRE, TORONTO, ONTARIO M5K 1K4

## AUDITORS' REPORT

To the Shareholder of  
Ontario Energy Corporation:

We have examined the balance sheet of Ontario Energy Corporation as at March 31, 1975. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion this balance sheet presents fairly the financial position of the corporation as at March 31, 1975 in accordance with generally accepted accounting principles consistently applied.

*Deloitte, Haskins & Sells*

August 21, 1975.  
Toronto, Ontario

Chartered Accountants.



ONTARIO ENERGY CORPORATION

(Incorporated February 28, 1975 under  
The Ontario Energy Corporation Act, Ontario)

BALANCE SHEET AS AT MARCH 31, 1975

ASSETS

CURRENT ASSETS:

Cash.....	\$	2,000
Due from the Treasurer of Ontario.....		<u>99,998,000</u>
TOTAL.....		<u>\$100,000,000</u>

CAPITAL STOCK

CAPITAL STOCK (Note 1):

Authorized:		
2,000,000 common shares with no par value		
20,000,000 non-voting special shares with no par value		
Issued and fully paid:		
2,000,000 common shares.....	\$	<u>100,000,000</u>
TOTAL.....		<u>\$100,000,000</u>

Approved by the Board:

.....Director  
.....Director

The accompanying notes are an integral  
part of this balance sheet.



ONTARIO ENERGY CORPORATION

NOTES TO THE BALANCE SHEET

MARCH 31, 1975

1. Capital Stock

2,000,000 common shares have been issued by the company for a cash consideration of \$100,000,000 to Her Majesty in Right of Ontario as represented by the Minister of Energy of the Province of Ontario.

2. Syncrude Project

On February 3, 1975, the Province of Ontario agreed in principle to acquire a 5% participating interest in the Syncrude Project, a joint venture for the extraction and processing of bituminous oil sands near Mildred Lake, Alberta. Subsequently, it was determined that the Province's participation would be effected through the Ontario Energy Corporation.

Upon completion of various agreements between the participants and the Alberta Government, the Corporation will be committed to contribute 5% of certain costs of the Project and will have the right to 5% of the net production from the Project. The Corporation's share of the estimated costs prior to the expected commencement of production in 1978, approximates \$100,000,000.

3. Polar Gas Project

On July 23, 1975 the Cabinet of the Ontario Government approved in principle participation up to \$10,000,000 in the Polar Gas Project through the Ontario Energy Corporation. The terms and conditions of such participation have not been finalized.







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Ontario

**Ontario  
Energy  
Corporation**

ANNUAL REPORT

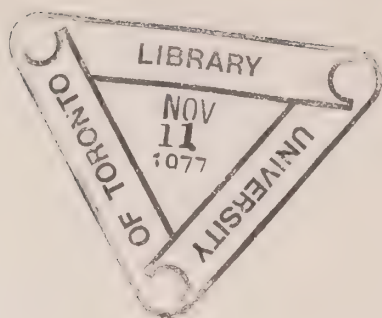
Period ended December 31, 1976



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ANNUAL REPORT

Period ended December 31, 1976





Office of the  
Minister

Ministry of  
Energy

416/965-4286

Queen's Park  
Toronto Ontario

April, 1977

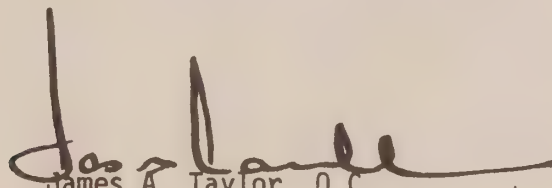
TO THE HONOURABLE PAULINE M. McGIBBON  
O.C., B.A., LL.D., D.U. (OTT)

Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the Third Annual  
Report of the Ontario Energy Corporation for the  
period ended December 31, 1976.

Respectfully submitted



James A. Taylor, Q.C.  
Minister





Ontario  
Energy  
Corporation

416/~~964-7221~~  
965-6726

Toronto, Ontario  
M7A 2B7

April, 1977

TO THE HONOURABLE JAMES A. TAYLOR, Q.C.  
Minister of Energy, Ontario

Sir:

In accordance with Section 22 (1) of The Ontario Energy Corporation Act, 1974, I have the honour to present the Third Annual Report of the Ontario Energy Corporation for the period ended December 31st, 1976.

Respectfully submitted,

Malcolm Rowan  
President





Ontario  
Energy  
Corporation

416/961-7221  
965-6276

Toronto, Ontario  
M7A 2B7

#### SUMMARY

[ The Corporation continued its participation in the Syncrude and Polar Gas Projects. Cumulative investment in the Syncrude Project reached \$52.5 million by year end; corresponding expenditures in Polar Gas amounted to \$6.3 million.

No new investments by the Corporation were entered into during the year, although a number of potential projects were reviewed by the Ministry of Energy for possible involvement by the Corporation.

Because of its direct participation in the development of the Alberta oil sands, the Corporation is keenly interested in future potential prospects and the terms and conditions under which additional oil sands plants might be constructed. In this regard, the current discussions between the Governments of Canada and Alberta are crucial to the maintenance of a continuing program of development of an important energy resource in Canada.

The Polar Gas Project is also one which could have an enormous bearing on the assurance of long-term supply of natural gas to southern markets. For this reason, the Corporation is continuing to support the feasibility studies so that Polar Gas will be in a position to proceed with the necessary applications to regulatory authorities in a timely manner.

Discussions also commenced within the Ontario Government to ensure that the maximum benefit is obtained from the Polar Gas Project.



During 1976, Mr. Malcolm Rowan, Deputy Minister of Energy, was appointed President of the Corporation following the resignation of Mr. R. M. Dillon from that position. Mr. Dillon remains a Director of the Corporation.

#### CORPORATE OBJECTS

In order to support the efforts of the Government of Ontario in implementing its policy of improving the security of energy supply, legislation was introduced in November, 1974 to establish the Ontario Energy Corporation. The objects of the Corporation as set out in the Act include the power:

*to invest or otherwise participate in energy projects throughout Canada or elsewhere in order to,*

- (i) enhance the availability of energy in Ontario,*
- (ii) stimulate exploration for and the development of sources of energy,*
- (iii) stimulate expansion of the capability to produce energy,*
- (iv) encourage investment in energy projects and the effective use of financial, human and other resources in energy projects, and*
- (v) encourage the development of processes and equipment that will avoid the wasteful use of energy and that will minimize harm to the environment.*

The establishment of the Corporation provides the Government of Ontario with a vehicle with the potential to implement and coordinate energy supply initiatives as well as to provide support in policy development.



## FUNDING

Initial funding of the Corporation was provided in 1975 through the purchase of 2 million common shares by the Minister of Energy for the sum of \$100 million. Additional funding which may be required by the Corporation to meet its current investment commitments will be provided by the Government of Ontario.

For the foreseeable future, the Corporation will remain closely controlled by the Ontario Government through its equity ownership. In any event, the Act provides that the Government of Ontario always maintain majority ownership of the equity shares.

The Corporation is dependent on the Ministry of Energy Office for all administrative and budgetary services and receives policy guidance and direction through the Minister of Energy.

## STAFF

At the present time, the Corporation relies on government staff and consultants to meet its staffing requirements. Private consulting firms provide guidance in the financial and technical areas, and outside counsel act for the Corporation on all legal matters.

The Corporation also acknowledges the valuable assistance given by a number of Ontario ministries in the assignment of staff to specific duties as advisors or representatives of the Corporation. Participating ministries include Ministry of Energy, Ministry of the Environment, Ministry of Natural Resources, Ministry of Treasury, Economics and Intergovernmental Affairs, Ministry of Housing and the Ministry of Government Services.



## INVESTMENTS

The Corporation is currently participating in two projects, the Syncrude Project to produce synthetic crude oil from the Alberta oil sands, and the Polar Gas Project which is a study to determine the feasibility of transporting natural gas from the Arctic Islands to southern markets. A brief description of these projects follows:

### The Syncrude Project

The Syncrude Project is located near Mildred Lake in the Athabasca area of the Province of Alberta. The Project will involve the mining of oil sands and the extraction and upgrading of crude bitumen to produce synthetic crude oil and other substances. Construction of the necessary plant to produce the synthetic crude oil, up to the permitted level of about 125,000 barrels per day, commenced in September, 1973 and is scheduled to begin production in 1978.

The Government of Ontario became involved in the Project following the withdrawal in late 1974 of one of the major participants. At a meeting held in Winnipeg, Manitoba on February 3, 1975, the Premier of Ontario announced that the Government of Ontario had agreed in principle to acquire a 5% equity interest in the Project through the Ontario Energy Corporation. Final agreements covering the new joint venture arrangements were completed on April 30, 1976 providing for the following participating interests in the Project:

Imperial Oil Limited	31.25%
Canada Cities Service, Ltd.	22.00%
Gulf Oil Canada Limited	16.75%
Petro-Canada	15.00%
Alberta Syncrude Equity	10.00%
Ontario Energy Corporation	5.00%



At year end, the Project was estimated to be almost 60% complete and the estimated capital cost of the Syncrude plant to completion in 1978 was forecast at approximately \$2,160 million.

### The Polar Gas Project

The Polar Gas Project was formed in November, 1972 to study the feasibility of transporting natural gas from the Arctic Islands to southern markets. The current members of the study group are:

TransCanada Pipelines Limited (Project Manager)  
Panarctic Oils Ltd.  
Ontario Energy Corporation  
Petro-Canada  
Tenneco Oil of Canada Ltd.  
Pacific Lighting Gas Development Company

The Ontario Energy Corporation has participated since July, 1975.

Work undertaken to date has confirmed the validity of Polar Gas approaches to laying pipe across Arctic channels - the most critical aspect of an Arctic Islands natural gas pipeline. In addition, engineering data has been gathered to support ongoing pipeline system design.

Field research efforts have also collected information required to establish prospective pipeline routes between the Arctic Islands and on land.

While further research in a number of areas is currently underway - and will continue to be required in future years - Polar Gas is confident that, given adequate gas reserves, an Arctic Islands gas pipeline will be technically, environmentally and economically feasible.

An impressive trend of substantial yearly additions to gas reserves has been established by Panarctic and other companies operating in



the Islands, where discoveries to date of 16 trillion cubic feet have been announced. It is expected that a sustained exploration program will establish minimum threshold reserves of 20-30 trillion cubic feet well within the time frame estimated when additional natural gas supplies will be required and construction of a pipeline should begin.

Polar Gas is proceeding to develop a proposal to put before regulatory authorities. It is expected that a fully documented application, adequately reviewed by Polar Gas participants, will be filed by late 1977.

The preferred plan is to build a large-diameter pipeline, located down the west side of Hudson Bay through Manitoba, connecting with the TransCanada Pipelines system at Longlac in Northwestern Ontario. The pipeline would be approximately 2,300 miles in length, and will have an initial throughput of 2.5 billion cubic feet per day, extending up to about 4.5 billion cubic feet per day at full capacity. However, the results of research and investigative programs on alternate pipeline routes and alternative modes of transportation will also be submitted to the regulatory authorities. ]

APPROVED BY THE BOARD OF DIRECTORS OF ONTARIO ENERGY CORPORATION.

*Malcolm Rowan*

Director

*[Signature]*

Director



BOARD of DIRECTORS

*Malcolm ROWAN*

Deputy Minister of Energy

*W.A.B. ANDERSON*

Secretary of Management Board  
of Cabinet

*R. M. DILLON*

Deputy Provincial Secretary  
for Resources Development

*G. McINTYRE*

Executive Director, Treasury  
Division, Ministry of Treasury,  
Economics and Intergovernmental  
Affairs

*Dr. J. K. REYNOLDS*

Deputy Minister of Natural  
Resources

OFFICERS

*President: Malcolm ROWAN*

Deputy Minister of Energy

*Treasurer: G. McINTYRE*

Executive Director, Treasury  
Division, Ministry of Treasury,  
Economics and Intergovernmental  
Affairs

*Secretary & General  
Counsel: R. LAW, Q.C.*

Blackwell, Law, Treadgold &  
Armstrong



# DELOITTE HASKINS & SELLS

Offices across Canada and associated firms throughout the world \ Chartered Accountants

3200 ROYAL TRUST TOWER, P.O. BOX 283  
TORONTO DOMINION CENTRE, TORONTO, ONTARIO M5K 1K4 416 863 1315

## AUDITORS' REPORT

To the Shareholder of  
Ontario Energy Corporation:

We have examined the balance sheet of Ontario Energy Corporation as at December 31, 1976 and the statement of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1976 and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for sundry revenue and expenses referred to in Note 4 to the financial statements, on a basis consistent with that of the preceding period.

*Deloitte, Haskins & Sells*

Toronto, Ontario  
April 15, 1977.

Chartered Accountants.



ONTARIO ENERGY CORPORATION

(Under The Ontario Energy Corporation Act)

BALANCE SHEET AS AT DECEMBER 31, 1976

(with 1975 figures for comparison)

	<u>1976</u>	<u>1975</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash.....	\$ 1,810	\$ 251,666
Interest receivable.....	-	1,619
Due from the Treasurer of Ontario.....	<u>41,177,707</u>	<u>78,939,921</u>
Total current assets.....	<u>41,179,517</u>	<u>79,193,206</u>
PARTICIPATION IN ENERGY PROJECTS (Note 1):		
Syncrude,.....	52,477,440	17,511,794
Polar Gas.....	<u>6,348,473</u>	<u>4,865,996</u>
Total participation in energy projects.....	<u>58,825,913</u>	<u>22,377,790</u>
TOTAL.....	<u>\$100,005,430</u>	<u>\$101,570,996</u>
<u>LIABILITIES AND CAPITAL STOCK</u>		
CURRENT LIABILITIES:		
Syncrude Project.....	\$ 5,430	\$ -
Polar Gas Project.....	<u>-</u>	<u>1,570,996</u>
Total current liabilities.....	5,430	1,570,996
CAPITAL STOCK:		
Authorized:		
2,000,000 common shares with no par value		
20,000,000 non-voting special shares with no par value		
Issued and fully paid:		
2,000,000 common shares.....	<u>100,000,000</u>	<u>100,000,000</u>
TOTAL.....	<u>\$100,005,430</u>	<u>\$101,570,996</u>

Approved by the Board:

.....*Arleolan Kwan*.....Director  
.....*D. Mc Intyre*.....Director

The accompanying notes are an integral part of the financial statements.



ONTARIO ENERGY CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1976

(with comparative figures for the nine months ended December 31, 1975)

	<u>1976</u>	Nine Months Ended December 31, <u>1975</u>
WORKING CAPITAL APPLIED:		
Participation in Syncrude Project.....	\$34,965,646	\$ 17,511,794
Participation in Polar Gas Project.....	<u>1,482,477</u>	<u>4,865,996</u>
Total working capital applied.....	36,448,123	22,377,790
WORKING CAPITAL AT BEGINNING OF THE YEAR.....	<u>77,622,210</u>	<u>100,000,000</u>
WORKING CAPITAL AT END OF THE YEAR.....	<u>\$41,174,087</u>	<u>\$ 77,622,210</u>

The accompanying notes are an integral  
part of the financial statements.



ONTARIO ENERGY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1976

1. Significant Accounting Policies and Related Matters

Participation in energy projects:

All costs incurred by the corporation, less any sundry revenues, are included as the cost of participation in energy projects. The accumulations of such costs as reflected on the balance sheet do not purport to represent the present or future value of the corporation's participation in the projects.

The participation in the Syncrude Project will be amortized using the unit-of-production method starting in the year in which the Project commences production. The participation in the Polar Gas Project will be treated in the manner explained below.

Syncrude Project:

The Corporation is a 5% participant in the Syncrude Project, a joint venture for the extraction and processing of bituminous oil sands near Fort McMurray, Alberta. Accordingly, the Corporation is committed to contribute 5% of the costs of the Project and has the right to 5% of the production from the Project.

As at December 31, 1976 the estimated total costs of the Syncrude Project prior to expected commencement of production in 1978 are \$2,158,000,000. This estimate has not been approved and is based on the most probable initial startup date of April 1, 1978.

Polar Gas Project:

The Corporation is a participant in the Polar Gas Project, a project to determine the feasibility of constructing and operating facilities for the transmission of natural gas from the Arctic Islands to southern markets.

Cash is advanced for research costs as required. Total Project research costs to December 31, 1976 aggregated \$40,015,925.

In the event a company is formed to build and operate transmission facilities each participant's interest is convertible into equity, debt, or equity and debt of such company. Alternatively, under certain circumstances the contributed costs may be repaid with interest.



ONTARIO ENERGY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1976

2. General Administrative Expenses

The general administrative expenses of the Corporation have been paid by the Province of Ontario, the Corporation's shareholder.

3. Income Taxes

The Corporation is not subject to income taxes so long as not less than 90% of its outstanding shares are held directly or indirectly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario

4. Retained Earnings

Sundry revenues and expenses of the Corporation are treated as part of the cost of participation in energy projects. Previously, these amounts were treated as income and expense items.

As a result of the change in the recording of sundry revenues and expenses, which has been applied retroactively, retained earnings at December 31, 1975 of \$10,222 has been applied as a reduction of the cost of participation in energy projects.







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# Ontario Energy Corporation

ANNUAL REPORT

Period ended December 31, 1977





ANNUAL REPORT

Period ended December 31, 1977





ce of the  
ister

Ministry of  
Energy

416/965-4286

Queen's Park  
Toronto Ontario

May, 1978

TO THE HONOURABLE PAULINE M. McGIBBON  
O.C., B.A., LL.D., D.U. (OTT)

Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the Fourth Annual Report  
of the Ontario Energy Corporation for the period ended  
December 31, 1977.

Respectfully submitted

A handwritten signature in dark ink, appearing to read 'Reuben Baetz', written over a horizontal line.

REUBEN BAETZ  
MINISTER





Ontario

Ontario  
Energy  
Corporation

416/961-7221

Toronto, Ontario  
M7A 2B7

965-6276

May, 1978

TO THE HONOURABLE REUBEN BAETZ,  
Minister of Energy,  
Toronto, Ontario.


Sir:

In accordance with Section 22 (1) of The Ontario Energy Corporation Act, 1974, I have the honour to present the Fourth Annual Report of the Ontario Energy Corporation for the period ended December 31, 1977.

The Corporation has continued to play its part in the support of energy supply initiatives undertaken by the Government of Ontario through its investments in the Syncrude and Polar Gas projects. In 1977, both projects made significant progress toward achieving their respective objectives.

While in the short term there are no economic and readily available substitutes for petroleum and other non-renewable fuels, Ontario must begin to shift its dependence on them to a dependence on renewable sources such as solar energy, organic waste, and wood. The Corporation provides the Government of Ontario with a mechanism to support new initiatives in these areas, as appropriate.

Respectfully submitted

  
MALCOLM ROWAN  
PRESIDENT



## SUMMARY

During 1977, the Ontario Energy Corporation continued to participate in the Syncrude and Polar Gas Projects. Investments in the Syncrude Project during the year amounted to \$30.7 million bringing the cumulative investment since 1975 to \$83.2 million. Expenditures on the Polar Gas Project were \$3.8 million bringing the total to \$10.1 million.

The Corporation played an active role in all phases of these projects. Construction at Syncrude has progressed to the point where start up is expected to take place in the summer of 1978.

In December, Polar Gas filed an initial application with regulatory authorities for permission to construct a pipe line from the Arctic Islands to Longlac, Ontario. Supplementary material will be filed through 1978 and 1979 as studies are completed.

Although the Corporation did not enter into any new investments during 1977, a study was undertaken using private consultants to assess the feasibility of using by-product heat from the Bruce Nuclear Power Development for agricultural and aquacultural purposes. The Corporation managed the preparation of the study and coordinated the activities of a joint Steering Committee set up by the Government to review this application of by-product power. Efforts are now underway to assess the commercial potential and to interest the private sector in developing the required facilities. This assessment is expected to be completed by the fall of 1978.



## CORPORATE OBJECTS

In order to support the efforts of the Government of Ontario in implementing its policy of improving the security of energy supply, legislation was introduced in November, 1974 to establish the Ontario Energy Corporation. The objects of the Corporation as set out in the Act include the power:

*to invest or otherwise participate in energy projects throughout Canada or elsewhere in order to,*

- (i) enhance the availability of energy in Ontario,*
- (ii) stimulate exploration for and the development of sources of energy,*
- (iii) stimulate expansion of the capability to produce energy,*
- (iv) encourage investment in energy projects and the effective use of financial, human and other resources in energy projects, and*
- (v) encourage the development of processes and equipment that will avoid the wasteful use of energy and that will minimize harm to the environment.*

## FUNDING

Initial funding of the Corporation was provided in 1975 through the purchase of 2 million common shares by the Minister of Energy for the sum of \$100 million. Additional funding which will be required by the Corporation to meet its current investment commitments will be provided by the Government of Ontario, by way of loans.

For the foreseeable future, the Corporation will remain closely controlled by the Ontario Government through its equity ownership. In any event, the Act provides that the Government of Ontario always maintain majority ownership of the equity shares.

The Corporation is dependent on the Ministry of Energy Office for all administrative and budgetary services and receives policy guidance and direction through the Minister of Energy.

## STAFF

The Corporation continued to rely on government staff and consultants to meet its staffing requirements. Private consulting firms provide guidance in the financial and technical areas, and outside counsel act for the Corporation on all legal matters.

The Corporation again acknowledges the valuable assistance given by a number of Ontario ministries in the assignment of staff to specific duties as advisors, or as representatives of the Corporation.



## PROJECTS

During 1977, the Ontario Energy Corporation continued its involvement in the Syncrude and Polar Gas Projects. Corporation staff coordinated a feasibility study to utilize by-product heat from the Bruce Nuclear Power Development for agricultural and aquacultural purposes. This study has been termed the Kincardine Project. A brief description of each project and associated activities follows:

### THE SYNCRUDE PROJECT

The Syncrude Project is located near Mildred Lake in the Athabasca area of the Province of Alberta. The Project will involve the mining of oil sands, the extraction and upgrading of crude bitumen to produce synthetic crude oil and other substances. Construction of the necessary plant to produce the synthetic crude oil, upto the permitted level of about 129,000 barrels per day, commenced in September, 1973, and is scheduled to begin production in mid 1978.

Participating interests in the Project are as follows:

<i>Imperial Oil Limited</i>	<i>31.25%</i>
<i>Canada Cities Service Ltd.</i>	<i>22.00%</i>
<i>Gulf Oil Canada Ltd.</i>	<i>16.75%</i>
<i>Petro-Canada</i>	<i>15.00%</i>
<i>Alberta Syncrude Equity</i>	<i>10.00%</i>
<i>Ontario Energy Corporation</i>	<i>5.00%</i>

Construction continued on schedule throughout 1977 aided by good weather conditions and stable labour relations. At year-end construction was approximately 95% complete.

The Ontario Energy Corporation, in addition to the ongoing role of participating in general project management, took an active role in the negotiations with agencies of the Alberta Government relating to the rates of return on the Utility Plant and Crude Oil Pipeline. The Corporation was also involved in the arrangements to finance and construct the natural gas pipeline required for operation of the Utility Plant.

Negotiations with prospective buyers of Ontario's share of the crude oil production commenced during the year culminating in an agreement being reached with the Alberta Petroleum Marketing commission to act as its agent for the marketing of Ontario's share.



## THE POLAR GAS PROJECT

The Polar Gas Project was formed in November, 1972 to study the feasibility of transporting natural gas from the Arctic Islands to southern markets. The current members of the study group are:

*TransCanada Pipelines Ltd. (Project Manager)*

*Panarctic Oils Ltd.*

*Ontario Energy Corporation*

*Petro-Canada*

*Tenneco Oil of Canada Ltd.*

*Pacific Lighting Gas Development Company*

The Ontario Energy Corporation has participated since September, 1975.

Based on research to date, Polar Gas is confident that, given adequate gas reserves, an Arctic Islands Pipeline will be technically, environmentally and economically feasible.

In December, 1977, Polar Gas filed an initial application and supporting documentation with the Department of Indian Affairs and Northern Development and the National Energy Board for permission to construct a 42" diameter pipeline along the western side of Hudson Bay to join with the TransCanada Pipeline system near Longlac, Ontario. Additional documentation covering environmental and socio-economic matters will be filed in the first half of 1978.

Throughout 1977 the Ontario Energy Corporation participated in the ongoing management of the Project including decisions relating to the filing before the regulatory authorities.

The Corporation, through consultants and government staff, reviewed and approved the documentation prepared to support the filing. Efforts were also made, through the Corporation, to provide a means for Polar Gas and Ontario Government staff to exchange information relating to the Project.



## THE KINCARDINE PROJECT

In early 1977, the Ontario Energy Corporation, through the Ministry of Energy, coordinated a feasibility study to utilize by-product heat from the Bruce Nuclear Generating Station for application in greenhouses, hatchery operations and commercial fish rearing facilities. The study was funded by the Ministry of Agriculture and Food and was conducted by a private consulting firm, and Ontario Hydro.

The Corporation's role was to manage the preparation of the feasibility study and to coordinate the activities of the joint Steering Committee. The Committee, which was established by the Ontario Government to consider potential uses of the reject heat from the Bruce Nuclear plants, has representatives from the Ministries of Energy; Agriculture and Food; Industry and Tourism; Natural Resources; from Ontario Hydro; from the Resources Policy Secretariat; from three Municipalities around the Bruce Nuclear Development and from Bruce County.

The consultants' study, released in December 1977, concluded that the concept was feasible and recommended among other things, that the project be actively promoted.

Since the release of the study, the Corporation, under the auspices of the Ministry of Energy, has commenced a program to assess the commercial potential of the project and to interest the private sector in developing the necessary facilities. ]

APPROVED BY THE BOARD OF DIRECTORS OF THE ONTARIO ENERGY CORPORATION

  
\_\_\_\_\_  
DIRECTOR  
\_\_\_\_\_  
DIRECTOR



## BOARD OF DIRECTORS

MALCOLM ROWAN	<i>Deputy Minister Ministry of Energy</i>
W.A.B. ANDERSON	<i>Secretary, Management Board of Cabinet</i>
R. M. DILLON	<i>Deputy Provincial Secretary Provincial Secretariat for Resources Development</i>
G. McINTYRE	<i>Executive Director, Treasury Division Ministry of Treasury, Economics and Intergovernmental Affairs</i>
J. K. REYNOLDS	<i>Deputy Minister Ministry of Natural Resources</i>

## OFFICERS

PRESIDENT	<i>Malcolm Rowan</i>
VICE-PRESIDENT	<i>Peter Lamb</i>
TREASURER	<i>G. McIntyre</i>
SECRETARY AND LEGAL COUNSEL	<i>R. Law, Q.C., Blackwell, Law, Spratt, Armstrong and Grass</i>



# DELOITTE, HASKINS & SELLS

Offices across Canada and associated firms throughout the world

Chartered Accountants

3200 ROYAL TRUST TOWER, P.O. BOX 283,  
TORONTO-DOMINION CENTRE, TORONTO, ONTARIO M5K 1K4 416-863-1315

## AUDITORS' REPORT

To the Shareholder of  
Ontario Energy Corporation:

We have examined the balance sheet of Ontario Energy Corporation as at December 31, 1977 and the statement of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1977 and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Deloitte, Haskins & Sells*

April 27, 1978

Chartered Accountants



ONTARIO ENERGY CORPORATION

(Under The Ontario Energy Corporation Act)

BALANCE SHEET AS AT DECEMBER 31, 1977

(with prior year's figures for comparison)

	<u>1977</u>	<u>1976</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
.....	\$ 1,804	\$ 1,810
from the Treasurer of Ontario.....	<u>6,714,786</u>	<u>41,177,707</u>
Total current assets.....	<u>6,716,590</u>	<u>41,179,517</u>
PARTICIPATION IN ENERGY PROJECTS (Note 1):		
Crude.....	83,167,937	52,477,440
Natural Gas.....	<u>10,115,473</u>	<u>6,348,473</u>
Total participation in energy projects.....	<u>93,283,410</u>	<u>58,825,913</u>
TOTAL.....	<u>\$100,000,000</u>	<u>\$100,005,430</u>

LIABILITY AND CAPITAL STOCK

CURRENT LIABILITY - Syncrude Project.....	\$ -	\$ 5,430
CAPITAL:		
Authorized:		
2,000,000 common shares with no par value		
2,000,000 non-voting special shares with no par value		
Issued and fully paid:		
2,000,000 common shares.....	<u>100,000,000</u>	<u>100,000,000</u>
TOTAL.....	<u>\$100,000,000</u>	<u>\$100,005,430</u>

Approved by the Board:

.....*Charles R. Ryan*.....Director

.....*J. M. Stewart*.....Director

The accompanying notes are an integral part of the financial statements.



ONTARIO ENERGY CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1977

(with prior year's figures for comparison)

	<u>1977</u>	<u>1976</u>
NG CAPITAL APPLIED:		
icipation in Syncrude Project.....	\$30,690,497	\$34,965,646
icipation in Polar Gas Project.....	<u>3,767,000</u>	<u>1,482,477</u>
WORKING CAPITAL APPLIED AND DECREASE IN		
ING CAPITAL FOR THE YEAR.....	34,457,497	36,448,123
NG CAPITAL AT BEGINNING OF THE YEAR.....	<u>41,174,087</u>	<u>77,622,210</u>
NG CAPITAL AT END OF THE YEAR.....	<u>\$ 6,716,590</u>	<u>\$41,174,087</u>

The accompanying notes are an integral  
part of the financial statements.



ONTARIO ENERGY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1977

SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS:

Participation in energy projects:

All costs incurred by the corporation, less any sundry revenues, are included as the cost of participation in energy projects. The accumulations of such costs as reflected on the balance sheet do not purport to represent the present or future value of the corporation's participation in the projects.

The participation in the Syncrude Project will be amortized using the unit-of-production or equivalent method starting in the year in which the Project commences production. The way in which the participation in the Polar Gas Project will be treated will be determined once a decision is reached as to the basis on which the project will proceed.

Syncrude Project:

The corporation is a 5% participant in the Syncrude Project, a joint venture for the extraction and processing into synthetic crude oil of bituminous oil sands near Fort McMurray, Alberta. The corporation is committed to contribute its share of the costs of the Project and is entitled to its share of the production from the Project. Also, as a participant, the corporation is a party to commitments which the Project has undertaken and may undertake in the future.

The total cost of the Project to start-up date is expected to approximate \$2,150,000,000. The shareholder has agreed to provide the funds necessary to meet future obligations.

Through options held by the Alberta Energy Company, the corporation's interest in the project could be reduced to 4% with a corresponding reduction in its investment.

Polar Gas Project:

The corporation is one of six continuing participants, five of whom are presently providing funds, in the Polar Gas Project. The purpose of the project is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from the Arctic Islands to southern markets. Applications and certain supporting documentation relative to the construction and operation of transmission facilities were filed on December 21, 1977.

Cash is advanced for research costs as required. Total Project research costs to December 31, 1977 aggregated \$58,564,097.

In the event a company is formed to build and operate transmission facilities, each participant's interest is convertible into equity or debt of such company. Alternatively, under certain circumstances each participant's interest may be repaid.



ONTARIO ENERGY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1977

GENERAL AND ADMINISTRATIVE EXPENSES:

The general administrative expenses of the Corporation have been paid by the Province of Ontario, the Corporation's shareholder.

INCOME TAXES:

The Corporation is not subject to income taxes so long as not less than 90% of its outstanding shares are held directly or indirectly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.







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# 1978 ANNUAL REPORT



Ontario

**Ontario  
Energy  
Corporation**



ONTARIO ENERGY CORPORATION

ANNUAL REPORT

Period ended December 31, 1978





ice of the  
nister

Ministry  
of  
Energy

416/965-4286

Telex  
Enrgy Tor  
06-217-880

Queen's Park  
Toronto, Ontario

June, 1979


TO THE HONOURABLE PAULINE M. McGIBBON  
O.C., B.A., LL.D., D.U. (OTT)

Lieutenant-Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the Fifth Annual  
Report of the Ontario Energy Corporation for the  
period ended December 31, 1978.

Respectfully submitted,

  
James A.C. Auld  
Minister of Energy





Ontario

Ontario  
Energy  
Corporation

Queen's Park  
Toronto, Ontario  
M7A 2B7  
416/965-6276  
Telex-06217880

June, 1979

TO THE HONOURABLE JAMES A.C. AULD  
Minister of Energy  
Toronto, Ontario

Sir:

In accordance with Section 22 (1) of The Ontario Energy Corporation Act, 1974, I have the honour to present the Fifth Annual Report of the Ontario Energy Corporation for the period ended December 31, 1978.

The most significant event which occurred during 1978 was the sale of the Corporation's five per cent share in the Syncrude Project to PanCanadian Petroleum Limited of Calgary for \$160 million. As a result, the Corporation showed net income for the year of \$50.9 million and total assets of \$171.9 million.

Respectfully submitted,

Malcolm Rowan  
President



## HIGHLIGHTS

- The Ontario Energy Corporation's 5% share in the Syncrude Project was sold to PanCanadian Petroleum Limited for \$160 million.
- The Corporation earned net income for the first time, amounting to \$50.9 million.
- Total assets increased to \$171.9 million compared with \$100.0 million in 1977.
- The Polar Gas Project began studying the feasibility of an alternative pipeline route - the Y-line alternative - which would connect Mackenzie Delta/Beaufort Sea natural gas reserves with those in the Arctic Islands into a single transportation system. This alternative would also terminate at Longlac, Ontario and connect with the existing TransCanada PipeLine system.
- The Ontario Energy Corporation's efforts to promote the use of by-product heat from nuclear generating stations moved ahead with arrangements being made for the establishment of research, design and development projects at the Pickering Generating Station and the Bruce Nuclear Power Development.



## ADMINISTRATION

### Investment Funds

During 1978, the Corporation made investments totalling \$27.7 million. These were funded through available equity funds and a loan from the Treasurer of Ontario. Expenditures on the Syncrude Project were \$26.1 million and on the Polar Gas Project were \$1.6 million.

With the sale of its Syncrude investment, the Corporation will be restructuring and refinancing its operation. Accordingly, during 1979 the Corporation will be repaying its loan from the Treasurer of Ontario and will be repurchasing some of the outstanding equity held by the Government of Ontario.

### Operating Costs

All administrative and budgetary services were supplied by the Ministry of Energy. Operating expenditures were included in the Ministry of Energy Estimates.

### Staffing

As in past years, the Corporation continued to rely on Government staff and consultants. Private consulting firms provided financial and technical services and independent legal counsel acted in all legal matters.

The Corporation also acknowledges the valuable assistance given by a number of Ontario ministries in the assignment of staff to specific duties as advisors or representatives of the Corporation. Participating ministries included the Ministry of Energy, Ministry of the Environment, Ministry of Natural Resources, Ministry of Treasury and Economics, Ministry of Housing and the Ministry of Government Services.



## PROJECTS

### The Syncrude Project

In July, 1978, the Syncrude plant commenced production of synthetic crude oil and, in spite of some initial start-up problems, produced over four million barrels by the end of the year. In October of 1978, the Minister of Energy, the Honourable James A.C. Auld, invited offers for the Ontario Energy Corporation's 5% share in the Project since the Government's primary objective of supporting the completion of construction of the plant had been accomplished. In addition, it was felt that the capital could be put to use in assisting the development of other energy projects. After two months of extensive negotiations with a number of companies, the sale was made to PanCanadian Petroleum Limited of Calgary for \$160 million.

The Ontario Energy Corporation still retains an interest in Six Oil Sands Leases in the Athabasca region. Negotiations are presently underway for the sale of the Corporation's share in these leases.

The Ontario Energy Corporation was an active participant in the Syncrude Project from February, 1975, to December, 1978.

### The Polar Gas Project

In December, 1977, Polar Gas filed an initial application and supporting documentation with the Department of Indian Affairs and Northern Development and the National Energy Board for permission to construct a 42" diameter pipeline along the western side of Hudson Bay to join with the TransCanada Pipeline system near Longlac, Ontario. Additional documentation in the form of an Environmental Impact Statement was filed in March, 1978. Socio-economic impact statements for the Northwest Territories and Manitoba and Ontario are expected to be filed in 1979.

The applications are sponsored by TransCanada PipeLines Ltd., Tenneco Oil of Canada Ltd., Panarctic Oils Ltd., and the Ontario Energy Corporation. Petro-Canada, under the terms of their Participation Agreement, did not sponsor the applications. Pacific Lighting Gas Development Company, which also did not sponsor the application, withdrew from the Project, effective December 31, 1978.



### Polar Gas Project (continued)

On December 1, 1978, John D. Houlding, President and Chief Executive Officer of Polar Gas, announced at the National Energy Board Natural Gas Supply/Demand Hearings, that Polar Gas would be undertaking alternative routing studies. One purpose of the studies would be to examine the feasibility of connecting Arctic Island reserves with reserves in the Mackenzie Delta/Beaufort Sea into a single natural gas transportation system. Studies will be conducted during 1979 on the environmental and socio-economic implications of this proposed route. In addition, field research programs will be undertaken to confirm the feasibility of crossing M'Clure Strait.

Throughout 1978, the Ontario Energy Corporation participated in all aspects of the Project and continued to support the programs necessary to establish the feasibility of this important energy option for Ontario. In addition, the Corporation assisted in the exchange of information between Polar Gas staff and Ontario Government staff.

The Polar Gas Project was formed in November, 1972; the Ontario Energy Corporation has been a participant since December, 1975.

### By-Product Heat Projects

Following release of the engineering feasibility study in December, 1977, the Corporation commenced a program to assess the commercial potential of heating greenhouses and the water used in fish farms by means of by-product heat from nuclear power stations. The feasibility study focused on the Bruce Nuclear Power Development. Application of the concept is being considered for both the Pickering Nuclear Generating Station and the proposed Darlington Nuclear Generating Station.

Throughout 1978, Corporation staff held discussions with growers, fish farmers, developers and investors to explain the concept and to encourage private sector interest which was deemed essential to any commercial project.

In August, 1978, an advertisement soliciting preliminary design proposals was placed in a large number of newspapers and industrial publications. The response was very encouraging and led to an announcement by the Minister of Energy in December, that research, design and development projects would be proceeding at Bruce and Pickering. The research



phase, which is viewed as a necessary precursor to commercial developments, will be aimed at measuring the factors associated with productivity in greenhouse and fish farm operations. The test at Pickering will be conducted by a commercial grower and will lead to an eight acre development. The test at Bruce will be conducted on a joint venture basis with a number of private sector investors. The size of a commercial greenhouse project at Bruce will be dependent on economic considerations, but is expected to be in the neighbourhood of 100 acres.

#### Potential Projects

The Corporation continues to evaluate its support for other potential energy-related business developments. Specific projects which are currently being considered are a lignite exploration program in the James Bay Lowlands and a number of energy from waste projects. }

APPROVED by the BOARD OF DIRECTORS of ONTARIO ENERGY CORPORATION



Director



Director



SUMMARY OF EVENTS  
DIRECTORS AND OFFICERS  
CORPORATE OBJECTS



# ONTARIO ENERGY CORPORATION

## SUMMARY OF EVENTS

March 21, 1978	Filing of the Polar Gas Project's Environmental Statement with Federal Government regulatory authorities.
June 16, 1978	News Release concerning marketing arrangements for Ontario's share of Syncrude production.
July 22, 1978	Initial production from Syncrude Canada Ltd.
August 1, 1978	News Release concerning the commencement of Syncrude Canada Ltd. operations.
August 9, 1978	Advertisement by the Minister of Energy soliciting preliminary design proposals for the utilization of reject heat from Ontario's nuclear power stations.
September 15, 1978	Official Opening of Syncrude Canada Ltd.
October 12, 1978	News Release in which the Minister of Energy clarifies Ontario's position on the Syncrude investments.
October 25, 1978	Appearance before Estimates Committee of the Legislature.
December 1, 1978	John D. Houlding, President and Chief Executive Officer of Polar Gas announces alternate route studies (the Y-line) by the Project.
December 14, 1978	Statement by the Minister of Energy concerning the sale of Ontario's interest in Syncrude Canada Ltd. to PanCanadian Petroleum Limited.
December 15, 1978	Statement by the Minister of Energy concerning By-Product Power.
December 21, 1978	Presentation by OEC staff to the Minister of Industry and Tourism and the Minister of Agriculture & Food concerning By-Product Power.
December 29, 1978	Closing date of the Syncrude sale to PanCanadian Petroleum Limited.
December 31, 1978	Pacific Lighting Gas Development Company withdraws from the Polar Gas Project.



BOARD OF DIRECTORS

Malcolm ROWAN	<i>Deputy Minister, Ministry of Energy</i>
W.A.B. ANDERSON	<i>Deputy Provincial Secretary, Provincial Secretariat for Resources Development</i>
R. M. DILLON	<i>Deputy Minister, Ministry of Housing</i>
George McINTYRE	<i>Executive Director, Treasury Division, Ministry of Treasury and Economics</i>
J. K. REYNOLDS	<i>Deputy Minister, Ministry of Natural Resources</i>

OFFICERS

<i>President</i>	Malcolm ROWAN
<i>Vice President</i>	Peter LAMB
<i>Treasurer</i>	George McINTYRE
<i>Secretary and General Counsel</i>	Robert LAW, Q.C., <i>Blackwell, Law, Spratt, Armstrong and Grass</i>



BOARD OF DIRECTORS

Malcolm ROWAN	<i>Deputy Minister, Ministry of Energy</i>
W.A.B. ANDERSON	<i>Deputy Provincial Secretary, Provincial Secretariat for Resources Development</i>
R. M. DILLON	<i>Deputy Minister, Ministry of Housing</i>
George McINTYRE	<i>Executive Director, Treasury Division, Ministry of Treasury and Economics</i>
J. K. REYNOLDS	<i>Deputy Minister, Ministry of Natural Resources</i>

OFFICERS

<i>President</i>	Malcolm ROWAN
<i>Vice President</i>	Peter LAMB
<i>Treasurer</i>	George McINTYRE
<i>Secretary and General Counsel</i>	Robert LAW, Q.C., <i>Blackwell, Law, Spratt, Armstrong and Grass</i>



## CORPORATE OBJECTS

In order to support the efforts of the Government of Ontario in implementing its policy of improving the security of energy supply, legislation was introduced in November, 1974 to establish the Ontario Energy Corporation. The objects of the Corporation, as set out in Section 6 of The Act, include the power:

*to invest or otherwise participate in energy projects throughout Canada or elsewhere in order to,*

- (i) enhance the availability of energy in Ontario,*
- (ii) stimulate exploration for and the development of sources of energy,*
- (iii) stimulate expansion of the capability to produce energy,*
- (iv) encourage investment in energy projects and the effective use of financial, human and other resources in energy projects, and*
- (v) encourage the development of processes and equipment that will avoid the wasteful use of energy and that will minimize harm to the environment.*



## FINANCIAL STATEMENTS



To the Shareholder of  
Ontario Energy Corporation:

We have examined the balance sheet of Ontario Energy Corporation as at December 31, 1978 and the statements of earnings and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Deloitte Haskins + Sells*

Auditors

April 24, 1979



ONTARIO ENERGY CORPORATION

(Under The Ontario Energy Corporation Act)

BALANCE SHEET AS AT DECEMBER 31, 1978

(with prior year's figures for comparison)

	<u>1978</u>	<u>1977</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash.....	\$ 1,863	\$ 1,804
Short-term deposits and accrued interest.....	160,090,145	-
Accounts receivable.....	60,915	-
Due from Treasurer of Ontario.....	<u>-</u>	<u>6,714,786</u>
Total current assets.....	<u>160,152,923</u>	<u>6,716,590</u>
PARTICIPATION IN ENERGY PROJECTS (Note 1):		
Syncrude (Note 2).....	-	83,154,657
Polar Gas.....	11,726,909	10,115,473
Oil sands leases.....	<u>24,687</u>	<u>13,280</u>
Total participation in energy projects.....	<u>11,751,596</u>	<u>93,283,410</u>
TOTAL.....	<u>\$171,904,519</u>	<u>\$100,000,000</u>
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable.....	\$ 137,611	\$ -
Loan from Treasurer of Ontario and accrued interest	<u>20,879,239</u>	<u>-</u>
Total current liabilities.....	<u>21,016,850</u>	<u>-</u>
SHAREHOLDER'S EQUITY:		
Share capital:		
Authorized:		
2,000,000 common shares with no par value		
20,000,000 non-voting special shares with no par value		
Issued and fully paid - 2,000,000 common shares..	100,000,000	100,000,000
Retained earnings.....	<u>50,887,669</u>	<u>-</u>
Total shareholder's equity.....	<u>150,887,669</u>	<u>100,000,000</u>
TOTAL.....	<u>\$171,904,519</u>	<u>\$100,000,000</u>

Approved by the Board:

*Colin Rowan*  
.....Director

*S. McInnes*  
.....Director

The accompanying notes are an integral part of the financial statements.



ONTARIO ENERGY CORPORATION

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1978

INTEREST INCOME.....	\$ 90,145
GAIN ON SALE OF PARTICIPATION IN SYNCRUDE PROJECT (Note 2).....	<u>50,797,524</u>
NET INCOME FOR THE YEAR AND RETAINED EARNINGS AT DECEMBER 31, 1978.....	<u>\$ 50,887,669</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1978

(with prior year's figures for comparison)

	<u>1978</u>	<u>1977</u>
WORKING CAPITAL PROVIDED:		
Sale of participation in Syncrude Project.....	\$160,000,000	\$ -
Interest income.....	<u>90,145</u>	<u>-</u>
Total.....	<u>160,090,145</u>	<u>-</u>
WORKING CAPITAL APPLIED:		
Participation in energy projects:		
Syncrude.....	26,047,819	30,677,217
Polar Gas.....	1,611,436	3,767,000
Oil sands leases.....	<u>11,407</u>	<u>13,280</u>
Total.....	<u>27,670,662</u>	<u>34,457,497</u>
INCREASE (DECREASE) IN WORKING CAPITAL FOR THE YEAR.	132,419,483	(34,457,497)
WORKING CAPITAL AT BEGINNING OF THE YEAR.....	<u>6,716,590</u>	<u>41,174,087</u>
WORKING CAPITAL AT END OF THE YEAR.....	<u>\$139,136,073</u>	<u>\$ 6,716,590</u>

The accompanying notes are an integral  
part of the financial statements.



ONTARIO ENERGY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1978

1. PARTICIPATION IN ENERGY PROJECTS:

All costs incurred by the corporation, less any sundry revenues, are included as the cost of participation in energy projects. The accumulations of such costs as reflected on the balance sheet do not purport to represent the present or future value of the corporation's participation in such projects.

Polar Gas Project

The corporation is one of five continuing participants, four of whom are presently providing funds, in the Polar Gas Project. The purpose of the project is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from the Arctic Islands to southern markets. Applications and certain supporting documentation relative to the construction and operation of transmission facilities have been filed.

In the event a company is formed to build and operate transmission facilities, each participant's interest is convertible into equity or debt of such company. Alternatively, under certain circumstances each participant's interest may be repaid.

2. SALE OF PARTICIPATION IN SYNCRUDE PROJECT:

Effective November 30, 1978, the corporation sold its participation in the Syncrude Project for \$160,000,000. The sale is subject to final adjustment of the amount due by the corporation to the project at that date on a full accrual basis. It is probable that a further sum will be refunded to the purchaser upon final determination. The amount of such refund which is not yet determinable will be accounted for when agreed upon.

3. GENERAL AND ADMINISTRATIVE EXPENSES:

The general administrative expenses of the corporation have been paid by the Province of Ontario, the corporation's shareholder.

4. INCOME TAXES:

The corporation is not subject to income taxes so long as not less than 90% of its outstanding shares are held directly or indirectly by the Province of Ontario. All of the corporation's outstanding shares are presently held by the Province of Ontario.



ONTARIO ENERGY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1978

5. SUBSEQUENT EVENTS:

Subsequent to the year end the Corporation:

Repurchased 1,700,000 issued shares for cash of \$50 per share.

Paid a cash dividend of \$116.789 per share on the remaining 300,000 shares.

Repaid the Treasurer of Ontario.

Became a participant in a joint venture to demonstrate the feasibility of utilizing waste heat from nuclear generating stations for agricultural and aquacultural purposes.







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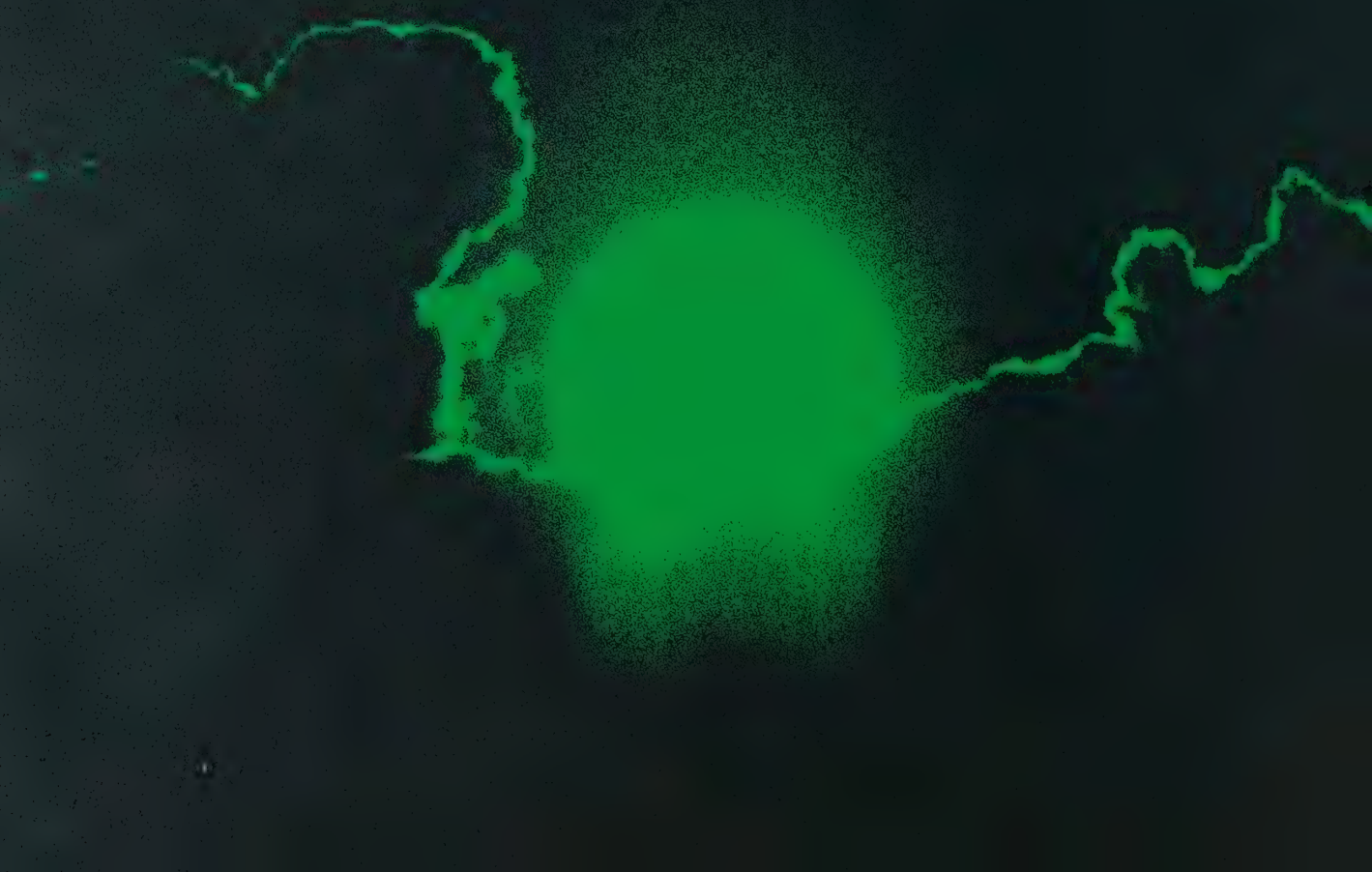
# Ontario Energy Corporation 1979 Annual Report



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Office of the  
Minister

Ministry  
of  
Energy

416/965-4286

Telex  
Enrgy Tor  
06-217-880

Queen's Park  
Toronto, Ontario

May, 1980

TO THE HONOURABLE PAULINE M. McGIBBON

Lieutenant-Governor of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the Sixth Annual  
Report of the Ontario Energy Corporation for the year  
ended December 31, 1979.

Respectfully submitted.

A handwritten signature in cursive script that reads "Robert Welch".

Robert Welch  
Minister of Energy



## Highlights

### Financial

Total assets	\$40,865,146
Total participation in projects	\$13,328,713
Net income	\$ 9,931,584
Retained earnings	\$25,782,445

### Events

- Formation of the Bruce AgriPark Joint Venture
- The restructuring and refinancing of the Corporation, including the repayment, with interest, of the loan from the Treasurer of Ontario
- Approval of the Memorandum of Understanding between the Minister of Energy and the Board of Directors of the Corporation
- Appointment of two members from the business community to the Board of Directors
- Polar Gas commenced the feasibility study of transporting natural gas from the MacKenzie Delta/ Beaufort Sea and the Arctic Islands in a single transportation system
- Opening of the Bruce AgriPark Prototype Greenhouse
- Sale of the Corporation's interest in six Oil Sands leases to PanCanadian Petroleum Ltd.
- Assessment of potential exploration programs for indigenous resources such as oil, natural gas, lignite, oil shale and peat
- Review of the commercial potential of several energy from waste projects
- Participation in developing a computerized transit information system



## Report from the Board of Directors

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*To the Honourable Robert Welch  
Minister of Energy  
Toronto, Ontario*

[ In accordance with Section 22(1) of the Ontario Energy Corporation Act, 1974, I have the honour to present the Sixth Annual Report of the Ontario Energy Corporation for the year ended December 31, 1979.

When, in April of 1979, the Honourable James Auld announced that the Ontario Energy Corporation would assume a broader mandate, and that it would be restructured and refinanced, a new chapter in the Corporation was introduced.

Since its establishment in 1975, the Corporation has strived to link the energy supply and demand goals of Ontario with the capabilities of commercial enterprise. Having completed its initial undertaking to assist in the timely development of the Syncrude Project, the Corporation sold its 5% interest in the project in December of 1978 for \$160 million. The Corporation continued in 1979 with participation in the Polar Gas Project and the By-Product Power "AgriParks" associated with the Bruce and Pickering Nuclear Generating Stations.

The Ontario Energy Corporation entered the Polar Gas project in 1975 with the primary objective of securing long-term natural gas supplies for Ontario. During 1979, Polar Gas commenced a feasibility study of combining, in a single transportation system, both the Arctic Island natural gas reserves and those in the MacKenzie Delta/Beaufort Sea. An application is expected to be filed by Polar Gas in 1981 with the federal regulatory authorities.

The first step towards application of the PowerShare concept was taken early in the year when the Ontario Energy Corporation, along with five private companies, formed a joint venture to construct a prototype of a waste-heated greenhouse near the Bruce Nuclear Power Development. The Corporation, awarded a minority interest in the venture for its previous research and promotional efforts concerning use of warm water from nuclear power plants, also assumed temporary management of the productivity test greenhouse. The one-acre facility, intended to be the precursor of a large-scale, waste-heated greenhouse and fish farm "AgriPark" was officially opened by the Hon. Frank Miller, Treasurer of Ontario, in August of 1979.

The Corporation also assisted in the promotion of the proposed development of an 8-acre waste-heated commercial greenhouse complex at the Pickering Generating Station. A small test facility, funded by Ontario Hydro, was constructed at the Station in January of 1979.

In September of 1979 the Corporation sold its 5% interest in six Oil Sands leases, which had been acquired independently of its investment in Syncrude, to PanCanadian Petroleum Ltd. at a price of \$4.0 million.

The broadening of the Corporation's mandate allowed it the flexibility to expand its efforts in stimulating commercial development in the conventional, renewable, recoverable and energy conservation fields.

The latter part of 1979 marked the beginning of the Corporation's involvement as a promoter, innovator, advisor or investor in a variety of projects, ranging from mineral exploration in the James Bay Lowlands to waste heat recovery, and from municipal incinerators to a transit oriented information system. By the year's end, the Ontario Energy Corporation had confirmed or was considering participation in over thirty new projects.

The role of the Ontario Energy Corporation in relation to the Government of Ontario was formalized in a Memorandum of Understanding between the Corporation and the Minister of Energy in June of 1979. The appointment in May of two representatives of the private sector, Mr. George Hitchman and Mr. David Campbell, to the Corporation's five-member Board of Directors exemplified the Corporation's direct association with business and industry.

A Corporate Plan, approved by the Board of Directors in November 1979, recognized the Corporation's dual objectives and outlined a strategy whereby the Corporation may act as a catalyst in facilitating commercial sector energy development. The Corporation will become involved in energy projects providing appropriate energy and economic benefits to the public, as well as those having prospects for long-run profit. A key principle is that the Corporation will work in co-operation with the private sector rather than attempt to displace or duplicate its efforts.

Staffing of the Corporation office was increased to ten during 1979, in response to the increased level of activity associated with the new initiatives undertaken by the Corporation. The Corporation continued to rely on outside legal, financial and technical advice where required.

During 1979, the Corporation employed most of the proceeds from its Syncrude sale to reimburse the Government for the prior funding of the Corporation. This was accomplished through the repayment of the loan from the Treasurer of Ontario with interest, repurchase of most of the issued equity shares and payment of a dividend on the remaining shares. At year end, the Corporation's total assets were \$40,865,146 and net income for the year was \$9,931,584.

In late December, Mr. W.A.B. Anderson and Dr. J.K. Reynolds tendered their resignations from the Board of Directors. Both had been members of the Board since the initial formation of the Corporation in 1975. The Directors wish to record their sincere appreciation for the support and advice given by Mr. Anderson and Dr. Reynolds to the management of the Corporation's affairs during this early period.

The Ontario Energy Corporation, with its capacity to act in partnership with the private, as well as the public sector, is gaining the awareness and confidence of the business community. The activities of 1979 having established a framework for the expansion of the Corporation's role, I can assure you on behalf of the Board of Directors that the Ontario Energy Corporation is now well-prepared to make a vital contribution to Ontario's policy for energy security in the Eighties. ✓

Respectfully submitted,  
On behalf of the Board,



Malcolm Rowan  
Chairman



Ontario  
Energy  
Corporation

# Corporate Structure

## A Revised Mandate for the Ontario Energy Corporation

1979 marked a new direction for the Ontario Energy Corporation. The intensified efforts of the Government of Ontario to ensure the security of the supply of energy from all possible sources – both conventional and alternate – demonstrated that the Ontario Energy Corporation had an increasingly important role to play in stimulating commercial energy development through investment and stewardship.

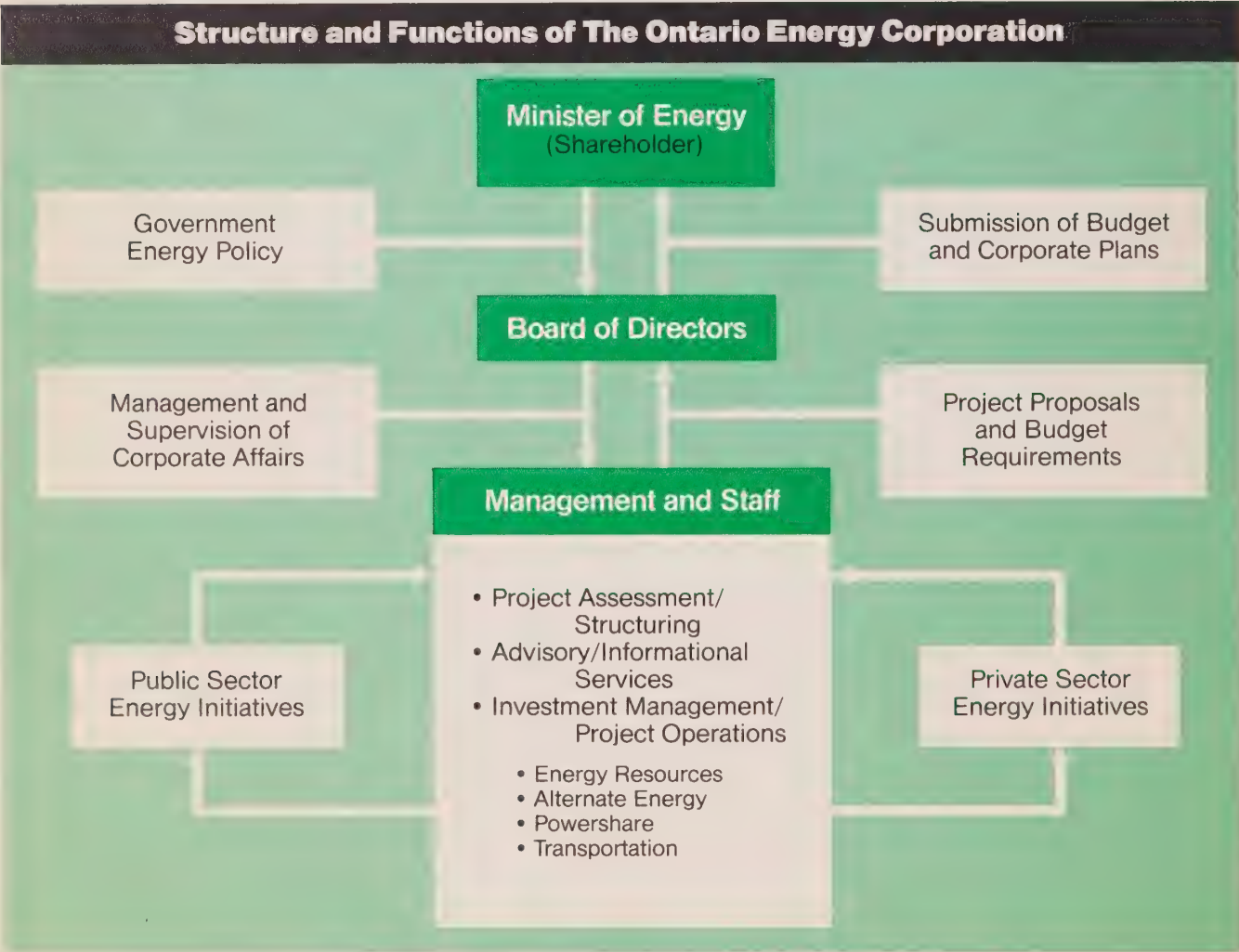
The growing demand for the Corporation's entrepreneurial approach to energy development, coupled with its new source of capital, led to an announcement by the Minister of Energy on April 27, 1979 that the Corporation would be restructured and its mandate broadened to allow greater flexibility in its range of activity. An important feature of its expanded role, reflecting the direction of provincial energy policy, is the encouragement of new developments in the fields of renewable and recoverable energy.

**Corporate Objects**

From Section 6 of the Ontario Energy Corporation Act 1974

to invest or otherwise participate in energy projects throughout Canada or elsewhere in order to,

- enhance the availability of energy in Ontario,
- stimulate exploration for and the development of sources of energy,
- stimulate expansion of the capability to produce energy,
- encourage investment in energy projects and the effective use of financial, human and other resources in energy projects, and
- encourage the development of processes and equipment that will avoid the wasteful use of energy and that will minimize harm to the environment.



## The Memorandum of Understanding

Under the Ontario Energy Corporation Act, 1974, the Corporation is authorized to invest, or otherwise participate, in energy projects which support overall provincial energy objectives.

Although the Corporation is not an agent of the Crown, the majority of the equity shares of the Corporation are to be held at all times by the Minister of Energy. With certain exceptions, the provisions of the Ontario Business Corporations Act apply; the affairs of the Ontario Energy Corporation are to be conducted as those of any other commercial corporation in Ontario.

On June 21, 1979, a Memorandum of Understanding between the Minister of Energy and the Corporation's Board of Directors was signed. The Memorandum sets out the objectives and operating criteria of the Corporation and describes the respective roles of the Board of Directors and of the Minister.

Under the terms of the Memorandum, the Minister of Energy, in addition to undertaking the general responsibilities of a shareholder, defines overall provincial energy policy for the Board and obtains the Government authority required to enable the Corporation to carry out its mandate.

The role of the Board of Directors, as described in the Memorandum, is to manage or supervise the management of the affairs and business of the Corporation.

The Memorandum also sets out the Corporation's financial, operating and administrative arrangements, as well as its control and reporting procedures. All operating costs and capital investments are to be financed out of the Corporation's funds unless otherwise directed by the Minister. The Corporation has the option of securing additional funding from either conventional financing sources or from the Treasurer of Ontario, as well as by issuing shares.

In May of 1979 two representatives of the private sector, Mr. George Hitchman and Mr. David Campbell, were appointed to the Corporation's five-member Board of Directors. The appointments were part of the program to restructure the Corporation and to provide a business community perspective in the affairs of the Corporation.

## Corporate Planning

The Ontario Energy Corporation has developed a planning framework for achieving the short and long-term corporate goals within the energy policy objectives of the Ministry of Energy. These objectives, aimed at energy security for the Province, include a reduction in crude oil requirements and an increase in Ontario's capability to supply its own energy from 22% to 35% by 1995 (including a significant increase in the production of renewable energy and energy from waste).

This planning framework, and its approach to project investment, is based on the principle that the Corporation's support of energy projects and the development of new processes should stimulate rather than displace the activities of the private sector. This can be done by the Corporation assuming certain risks associated with new energy projects and by providing assistance where the project needs it most—as a financial participant in a joint venture, as a promoter of a new concept, or as a liaison with sources of technical expertise.

In evaluating its potential role in any undertaking, the Corporation will consider the anticipated benefit of the project to the province's economy, its compatibility with Ontario's energy policies and its prospect for long-run commercial success. While the Corporation seeks a return on its investment commensurate with the degree of risk involved, its main objective is that of helping to achieve Ontario's energy goals.

Because many individuals and groups approach the Corporation seeking support for the technical and commercial advancement of energy-related ideas and inventions, the Corporation is working with the Ministry of Energy to develop an energy innovation review program. This program will perform a step-by-step evaluation by impartial experts of the technical and commercial feasibility of proposed energy related projects.

## Investment Criteria

The Corporation will consider participation in individual energy projects which would satisfy the following criteria:

- compatibility with the Corporation's objectives;
- allows an interest in tangible assets or other commercial property;
- provides an expected return (internal rate of return) to the Corporation at least equal to the Ontario Government's borrowing rate at the time of participation;
- primarily involves an investment or financing role rather than an operating role;
- does not involve a subsidy or grant from the Corporation.
- compatibility with energy policy of the Ontario Government.



## Energy Resources

Recent policy initiatives on the part of the Government of Ontario have recognized the need for a reduction of dependence on conventional forms of energy—particularly crude oil—through the development of alternate energy sources and the promotion of energy conservation. Even with a substantial decrease in energy growth per capita by 1990, however, Ontario will continue to rely heavily on supplies of oil, gas, coal and uranium.

The Ontario Energy Corporation can aid in ensuring the security of the province's conventional energy supply in two ways: by participating in national energy projects which provide access to out-of-province energy supplies and by assisting in exploration for and development of Ontario's indigenous energy resources.

When the Ontario Energy Corporation was established in 1975, its first undertaking as a joint venture was assisting in the financing of the construction of the Syncrude Oil Sands plant in Alberta. When the Corporation sold its 5% interest in Syncrude to PanCanadian Petroleum Ltd. in 1978, the plant had concluded the first year of its operation with a production of over 4 million barrels of synthetic crude oil.

During 1979, the Ontario Energy Corporation continued to monitor current research into oil sands and heavy oil processes, as well as the potential for heavy oil upgrading in Ontario. Further participation in related development projects is being considered.

In 1975 the Corporation became a participant in the Polar Gas Project. Studies undertaken since 1972 had concluded that a 42" diameter natural gas pipeline was a technically and environmentally feasible undertaking, with the price of transported gas being competitive with oil. The original proposal called for the routing of the pipeline along the Western side of Hudson Bay to join with the TransCanada PipeLine system near Longlac, Ontario.

During 1979, Polar Gas studied the feasibility of a proposed "combined system" pipeline which would connect both the Arctic Island natural gas reserves and those in the MacKenzie Delta/Beaufort Sea to southern markets. At a total estimated cost of \$7.1 billion (in 1979 dollars) the pipeline could transport natural gas at an initial rate of 2.1 billion cubic feet per day, expanding to 3.0 billion cubic feet per day. A revised application is expected to be made in 1981 to the federal Department of Indian Affairs and Northern Development and to the National Energy Board.

A key function of the Corporation's revised mandate is the support of exploration efforts aimed at development of Ontario's own energy resources. Participation is being considered in oil and gas exploration programs and an assessment is underway of programs to determine the commercial potential of the province's oil shale, lignite and peat reserves. In particular, the Ontario Energy Corporation has been working to establish a joint venture lignite exploration program in the James Bay Lowland region of Northern Ontario.

Ontario now derives almost 10% of its energy from uranium power generation. The Corporation is interested in pursuing with Ontario Hydro and others the potential for projects which would assist in the broader utilization of this massive indigenous resource. The concept of a Nuclear Information System, designed to provide the industry and the public with comprehensive information on the Canadian and U.S. nuclear power system, has been developed and submitted to the appropriate provincial authorities and Ontario Hydro for review.



Ontario  
Energy  
Corporation



## Alternate Energy

One of the major targets of Ontario's policy for energy security is to increase the supply by 1995 from 22% to 35% of its energy from sources within the Province. It is expected that a combined investment of \$30 billion from the public and private sectors over the 15 year period will be needed to achieve this target. Over half of that investment will be devoted to renewable energy alone.

Through "seed" funding and pilot project investment, the Ontario Government plans to encourage the growth of the alternate energy industry. In particular, the Ontario Energy Corporation is working with the private sector to examine the feasibility of proceeding with a number of potential commercial ventures in this field.

During 1979 the Corporation began investigating the commercial potential of several projects in the category of "energy from waste" and is assessing the viability of projects based on renewable organic materials, such as wood waste to produce steam, electricity and fuel.

In the area of energy from municipal waste, the Corporation has been involved with the Ministry of Energy, Metropolitan Toronto and a private company in turning the Metro Toronto Commissioners Street incinerator into a steam production facility. The steam generated by a refuse-fired boiler system would be used by a nearby industrial plant.



PHOTO COURTESY OF THE ONTARIO MINISTRY OF THE ENVIRONMENT



PHOTO COURTESY OF THE ONTARIO MINISTRY OF THE ENVIRONMENT

The Corporation has also been working with TRICIL Ltd., the private operator of the Hamilton-Wentworth SWARU refuse-burning plant, to develop a joint venture for the ownership, financing and management of a 3000 Kw electrical generation facility associated with the plant.

Some solar energy ventures are also being explored by the Corporation in co-operation with the Ministry of Energy. These include the development of cost-efficient residential heating systems, as well as the financing of the building of a national test facility for solar collectors in association with the Ontario Research Foundation and the National Research Council.

## Powershare

The energy potential of many energy projects can be maximized through the recovery and application of their by-product heat. The term "Powershare" has come to be associated with the efficient use of energy through application of by-product heat, energy cascading or cogeneration.

Since 1977 the Ontario Energy Corporation has been involved in the development of the "AgriPark" concept. Through an innovative powersharing arrangement—that is, use of warm water effluent from the cooling system of power generating stations—commercial greenhouses and fish farms can be heated at a relatively low and stable cost.

Such an application, using the waste moderator cooling water from the Bruce Nuclear Generating Station, was proposed in 1976 by business and municipal representatives from the Kincardine area. Following research and promotional efforts sponsored by the Ontario Energy Corporation, a Joint Venture with five private companies was formed in 1979 to finance the Research, Design and Development phase of the "Bruce AgriPark". The Joint Venture includes, in addition to the Ontario Energy Corporation, Anderson Flax Ltd., The Consumer's Gas Company, Huron Ridge Ltd., TransCanada PipeLines Ltd., and Weston Energy Resources Ltd.

A one-acre prototype greenhouse, using a boiler system to simulate the 40°C temperature of the waste warm water, was erected at the AgriPark site near Kincardine, Ontario in July of 1979 and officially opened by the Hon. Frank Miller, Treasurer of Ontario, in August of 1979.

Results obtained from growing tests in the prototype greenhouse will be applied to the design of a large-scale greenhouse complex. Warm water, supplied by Ontario Hydro from the Bruce Generating Station about 12 kilometres away, will be piped to the greenhouses for use in forced air heating systems.

The proposal also calls for the installation of commercial fish-rearing ponds, using the waste warm water to maintain optimal growing conditions during the winter months.



In addition to providing electricity, the nuclear power station offers many opportunities for power-sharing. Greenhouses, fish-rearing facilities,

industries and even residential developments situated near the power station may take advantage of the heat by-products of nuclear power generation.

The AgriPark design will enable greenhouse and fish farm operators to run their own family-size businesses while benefiting from the shared cost of the heat supply and other common services such as packaging and shipping.

The low-cost, reliable, and “inflation-proofed” heat supply will provide new opportunities to Ontario’s greenhouse industry, which is currently suffering from the high energy costs, and will offer Ontario consumers an increased supply of domestically grown produce.



Other nuclear power stations in Ontario offer a similar potential for by-product heat use. The Ontario Energy Corporation has been involved in the commercial promotion of a proposed 8-acre waste-heated greenhouse complex at the Pickering Generating Station. A small test greenhouse was erected by Ontario Hydro at the Station site in January of 1979. Commercial uses of effluent water have also been proposed for the Darlington Generating Station, scheduled to be in service in the late 1980’s.



Waste heat is available from other sources such as pipeline compressor stations and industrial plants. The Corporation will be actively exploring the commercial possibilities of these sources of thermal energy.



## Energy in Transportation

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With a transportation system in Ontario almost totally dependent on oil, the provincial Government is taking steps to develop alternative transportation fuels, more efficient use of petroleum and increased use of less energy-intensive modes of travel.

In 1979 the Ontario Energy Corporation began studying the commercial potential of two approaches to reducing the use of energy in transportation. In a joint venture with the Teleride Corporation, the Corporation will assist in the development of a transit information computer system designed to increase mass transit ridership. A pilot project carried out in Mississauga has demonstrated that increased ridership can be achieved while improving operating efficiency in the transit system.

The Corporation will also be expanding, on a commercial basis, the Government's successfully demonstrated van pool program. This project will involve the leasing of vans to individuals or companies for operation on a fee-for-service basis.



## Financial Section

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### Auditors' Report

To the Shareholder of  
Ontario Energy Corporation:

We have examined the balance sheet of Ontario Energy Corporation as at December 31, 1979 and the statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells  
Chartered Accountants

Toronto, Ontario  
March 18, 1980



Ontario  
Energy  
Corporation

## Balance Sheet

Ontario Energy Corporation (Under the Ontario Energy Corporation Act)  
Balance Sheet as at December 31, 1979 (with prior year's figures for comparison)

Assets	1979	1978
Current Assets:		
Cash	\$ 63,884	\$ 1,863
Short-term deposits and accrued interest	27,358,351	160,090,145
Accounts receivable	2,385	60,915
Total current assets	27,424,620	160,152,923
Participation in Projects (Note 2):		
Polar Gas	13,242,897	11,726,909
Bruce AgriPark	85,816	—
Oil sands leases	—	24,687
Total participation in projects	13,328,713	11,751,596
Deferred Project Expenditures (Note 3)	78,032	—
Furniture and Equipment—less accumulated depreciation of \$3,753	33,781	—
Total	\$ 40,865,146	\$171,904,519

The accompanying notes are an integral part of the financial statements. (See page 20)

Liabilities and Shareholder's Equity	1979	1978
Current Liabilities:		
Accounts payable	\$ 82,701	\$ 137,611
Loan from Treasurer of Ontario and accrued interest	—	20,879,239
Total current liabilities	82,701	21,016,850
Shareholder's Equity:		
Share capital:		
Authorized:		
2,000,000 common shares with no par value		
20,000,000 non-voting special shares with no par value		
Issued and fully paid:		
2,000,000 common shares	100,000,000	100,000,000
Retained earnings	25,782,445	50,887,669
	125,782,445	150,887,669
Less 1,700,000 common shares held in treasury—at cost	85,000,000	—
Net shareholder's equity	40,782,445	150,887,669

Approved by the Board

*Calculus Rowan*  
Director

*G. Hitchman*  
Director

Total	\$ 40,865,146	\$171,904,519
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## Statement of Income and Retained Earnings

For the year ended December 31, 1979  
(with prior year's figures for comparison)

	1979	1978
Interest	\$ 7,554,779	\$ 90,145
Gain (additional costs) on sale of participation in Syncrude Project (Note 4)	(626,903)	50,797,524
Gain on sale of oil sands leases	3,787,830	—
	10,715,706	50,887,669
General and administrative expenses (Note 5):		
Salaries and employee benefits	134,468	—
Interest on loan from Treasurer of Ontario	569,037	—
Premises	16,442	—
Travel	15,575	—
Professional services	15,971	—
Communications	9,089	—
Office	7,908	—
Depreciation	3,753	—
Other	11,879	—
Total general and administrative expenses	784,122	—
Net income for the year	9,931,584	50,887,669
Retained earnings at beginning of the year	50,887,669	—
	60,819,253	50,887,669
Dividend (paid to the Province of Ontario)	35,036,808	—
Retained earnings at end of the year	\$ 25,782,445	\$ 50,887,669

The accompanying notes are an integral part of the financial statements. (See page 20)

## Statement of Changes in Financial Position

For the year ended December 31, 1979  
(with prior year's figures for comparison)

	1979	1978
<b>Working capital provided:</b>		
From operations:		
Net income for the year	\$ 9,931,584	\$ 50,887,669
Items not affecting working capital:		
Depreciation	3,753	—
Gain on sale of oil sands leases	(3,787,830)	—
Gain on sale of participation in Syncrude Project	—	(50,797,524)
Provided from operations	6,147,507	90,145
Proceeds from sale of oil sands leases	4,000,000	—
Proceeds from sale of participation in Syncrude Project	—	160,000,000
<b>Total</b>	<b>10,147,507</b>	<b>160,090,145</b>
<b>Working capital applied:</b>		
Participation in projects:		
Polar Gas	1,515,988	1,611,436
Bruce AgriPark	85,816	—
Syncrude Project	—	26,047,819
Oil sands leases	187,483	11,407
	1,789,287	27,670,662
Deferred project expenditures	78,032	—
Purchase of furniture and equipment	37,534	—
Repurchase of issued common shares	85,000,000	—
Dividend	35,036,808	—
<b>Total</b>	<b>121,941,661</b>	<b>27,670,662</b>
<b>(Decrease) Increase in working capital for the year</b>	<b>(111,794,154)</b>	<b>132,419,483</b>
<b>Working capital at beginning of the year</b>	<b>139,136,073</b>	<b>6,716,590</b>
<b>Working capital at end of the year</b>	<b>\$ 27,341,919</b>	<b>\$139,136,073</b>

The accompanying notes are an integral part of the financial statements. (See page 20)



Ontario  
Energy  
Corporation

# Notes to the Financial Statements

December 31, 1979

## 1. Significant Accounting Policies:

### Participation in projects

All costs incurred by the Corporation, less any sundry revenues, are included as the cost of participation in projects. The accumulation of such costs as reflected on the balance sheet do not purport to represent the present or future value of the Corporation's participation in such projects.

### Deferred project expenditures

The Corporation capitalizes charges for services received in connection with projects it is investigating. If the Corporation does not expect to participate in a project or be able to obtain the benefit of its project costs from participation in a project, the related deferred project expenditures will be reflected as an expense. Deferred project expenditures for which the Corporation will receive a benefit will be treated in accordance with the applicable agreements.

### Furniture and equipment

Furniture and equipment is stated at cost and is depreciated using the straight-line method over a period of sixty months.

### Income taxes

The Corporation is not subject to income taxes so long as not less than 90% of its outstanding shares are held directly or indirectly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.

## 2. Participation in Projects:

### Polar Gas Project

The Corporation is one of five continuing participants, four of whom are presently providing funds, in the Polar Gas Project and accordingly bears 25% of the ongoing research costs. The purpose of the project is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from the Arctic regions to southern markets. Applications and certain supporting documentation relative to the construction and operation of transmission facilities have been filed.

In the event a company is formed to build and operate transmission facilities, each participant's interest is convertible into equity or debt of such company. Alternatively, under certain circumstances each participant's interest may be repaid.

### Bruce AgriPark

During 1979 the Corporation became a participant in a project known as Bruce AgriPark. The purpose of the project is to demonstrate the feasibility of utilizing waste heat from nuclear generating stations for agricultural and aquacultural purposes.

In the event a company is formed to construct and operate facilities for agricultural or aquacultural purposes each participant's interest is convertible into equity and or debt of such company. Alternatively, under certain circumstances each participant's interest may be repaid.

Prior to the Corporation becoming a participant, the Province of Ontario incurred \$100,000 of costs related to the project, the benefit from which will accrue to the Corporation.

## 3. Deferred Project Expenditures:

The Board of Directors of the Corporation has approved in principle participation in the following projects:

- (a) A 50% interest in a transport-related joint venture. The approval is for initial financing of the project up to \$2,800,000, subject to a satisfactory agreement being negotiated.
- (b) An interest of up to 25% in a seismic program, the total cost of which is estimated to be in the order of \$5,000,000.

## 4. Sale of Participation in Syncrude Project:

The Corporation sold its participation in the Syncrude Project in 1978 subject to final adjustment of the amount due to the purchaser by the Corporation. The Corporation believes the additional costs of \$626,903 satisfies most of its obligation. However, the purchaser contends that an additional amount of approximately \$2,600,000 is owing by the Corporation. The actual amount of the final adjustment is still to be determined. No provision has been made in the financial statements for this amount.

## 5. General and Administrative Expenses:

The general and administrative expenses of the Corporation to May 1, 1979 were paid by the Province of Ontario, the Corporation's shareholder.

## Corporate Information

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### Board of Directors

Malcolm Rowan, Chairman  
Deputy Minister  
Ministry of Energy

\*W.A.B. Anderson  
Secretary  
Management Board of Cabinet  
  
G.C. Hitchman  
Deputy Chairman and Director  
The Bank of Nova Scotia

D.L. Campbell  
President  
David L. Campbell Ltd.

\*Dr. J.K. Reynolds  
Deputy Minister  
Ministry of Natural Resources

\*Resigned, effective December 31, 1979

### Officers

President	Malcolm Rowan
Executive Vice-President	Peter Lamb
Vice-President	Peter Szego
Treasurer	Peter Lamb
Secretary and Legal Counsel	R. Law, Q.C. Blackwell, Law, Spratt, Armstrong and Grass

### Auditors

Deloitte Haskins & Sells

The office of the Ontario Energy Corporation is located at 1200 Bay Street, 11th Floor, Toronto, Ontario, M5R 2A6, Telephone 965-6276.



Co-operating in



Energy  
Ontario

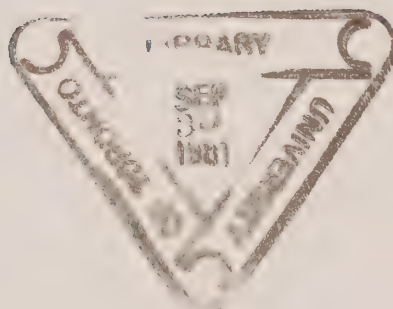
# Ontario Energy Corporation Annual Report 1980

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# Highlights

## Corporate Profile

The Ontario Energy Corporation was established in 1974 by the Government of Ontario to invest in Canadian energy projects which will improve the availability of energy in Ontario. Together with the private sector, the OEC invests on an equity basis in all areas of energy development. Having its shares held by the Minister of Energy and operating under the Business Corporations Act of Ontario, the OEC works with private enterprise to help Ontario become more self-reliant in energy.



Financial Highlights	For the year ended December 31 1980	For the year ended December 31 1979
Total assets	\$44,371,755	\$40,865,146
Total participation in projects	\$16,384,888	\$13,328,713
Net income	\$ 183,568	\$ 9,931,584
Retained earnings	\$25,966,013	\$25,782,445

## Events

- Four operating subsidiaries incorporated.
- Board of Directors expanded from 5 to 8 members with the majority of the Board appointed from the private sector.
- Oil and gas exploration initiated in southwestern Ontario.
- Lignite exploration initiated in the James Bay Lowlands.
- Joint venture negotiations to explore for oil and gas in Hudson Bay initiated.
- An affiliate company, the Ontario Van Pool Organization Ltd. established to demonstrate the commercial potential of vanpooling on a self-financing basis.
- Joint venture established to develop and market computerized transportation systems.
- Letter of intent signed to install a 4 MW electric generator at the Solid Waste Reduction Unit (SWARU) incinerator in Hamilton, Ontario.
- Arrangements with Ontario Hydro for the promotion, distribution and sale of thermal energy from the Bruce and Pickering Generating Stations.
- Bruce Energy Centre concept developed.

# Report from the Board of Directors

To the Honourable Robert Welch  
Minister of Energy  
Toronto, Ontario

1980 was a year of significant growth and activity for the Ontario Energy Corporation. It was a year in which the operational aspect of the Corporation's business was firmly established.

The surge in activity in 1980 had its roots in changes made the previous year when the Corporation was restructured and its mandate broadened to allow greater investment flexibility.

As the Corporation's interests diversified, it became apparent that further restructuring was necessary if it was to function efficiently. Responding to the need for change, four wholly-owned subsidiary companies were

incorporated in March 1980: Ontario Energy Resources Ltd., Ontario Alternate Energy Ltd., Ontario Power-Share Ltd., and Ontario Energy in Transportation Ltd.

The Ontario Energy Corporation's investment activity continued to be aimed at increasing the contribution which Ontario's indigenous energy resources make to the province's energy supply.

Through its subsidiary, Ontario Energy Resources Ltd., it has invested an additional \$254,000 to expand oil and gas exploration activity in southwestern Ontario. As well a 3 year lignite exploration program was initiated in

the James Bay Lowlands late in 1980 and results indicate that this program will involve expenditures in the order of \$4 million through to 1983.

In addition, the Corporation increased its investment to \$15 million in the Polar Gas Project which, if approved by the National Energy Board will provide for delivery of gas supplies and provide economic benefits for the province.

Through its subsidiary, Ontario Alternate Energy Ltd., the Corporation focused its investment activity in the area of energy from waste and in particular entered into a joint venture to construct the first commercial electric generation facility in

Canada to be fueled by municipal solid waste. This facility will be fully operational by May 1982. Other energy from waste projects under consideration at year end indicate an expected investment of over \$3 million in this area of energy development in 1981.

In line with our commitment to develop co-generation and waste heat utilization projects on a large-scale basis, the Corporation through Ontario PowerShare Ltd. and in partnership with five private-sector firms, increased its investment in the Bruce Energy Centre adjacent to Ontario Hydro's Bruce Nuclear Power Development.

---

## Corporate Objects

From Section 6 of the Ontario Energy Corporation Act 1974

"Invest or otherwise participate in energy projects throughout Canada or elsewhere in order to:

- Enhance the availability of energy in Ontario;
  - Stimulate exploration for and the development of sources of energy;
  - Stimulate expansion of the capability to produce energy;
  - Encourage investment in energy projects and the effective use of financial, human and other resources in energy projects; and
  - Encourage the development of processes and equipment that will avoid the wasteful use of energy and that will minimize harm to the environment."
-

In mid 1980 the Corporation assumed project management responsibility for the development of the Bruce Energy Centre which is composed of three areas of activity: The Bruce AgriPark, the Bruce Industrial Park, and the Bruce Thermal Utility. As project manager of the Bruce Energy Centre, the Ontario Energy Corporation will have a critical role to play in co-ordinating the many facets of the centre's development which will include the construction of a steam pipeline and the development of the industrial and agricultural parks.

The Corporation's commitment to the conservation of

oil and gas in the transportation sector was actively pursued throughout the year by its subsidiary, Ontario Energy in Transportation Ltd. Through its affiliate, the Ontario Van Pool Organization Ltd. (OVPO) created in April 1980, the potential commercial viability of third-party van-pooling was demonstrated. This project will be expanded in 1981.

The Corporation committed \$2.8 million over a three year period in transit oriented computer technology of which \$400,000 was expended in 1980. Designed to improve public transit and thereby increase ridership, this technology has made the Corporation a leader in

North America in computerized transit technology. New investments in this area are planned.

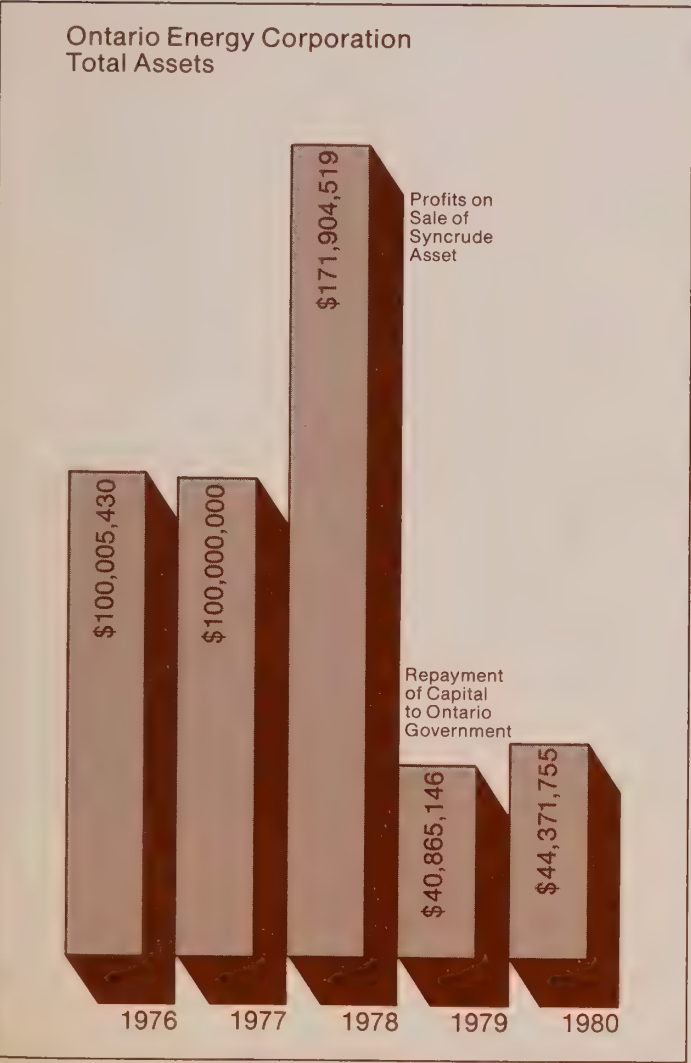
Reflecting our commitment to work with the private sector the activities of the Corporation and its subsidiaries have been characterized by joint-venture partnerships with private industry. This investment approach has not only strengthened the Corporation's position in the energy sector, but has also strengthened our technical and managerial expertise.

Five new directors were appointed to the Board in 1980 - Mr. Thomas Kierans, Director and President of McLeod, Young, Weir Ltd. and Chairman of the Ontario Economic Council; Mr. Edwin Jarman, President of Jarman Communications Inc.; Mr. Rendall Dick, Deputy Treasurer and Deputy Minister of Economics; Mr. L.R. Wilson, Deputy Minister of Industry and Tourism and Mr. David Melnik, Q.C., Melnik and Saunders, Barristers and Solicitors. We welcome these new members to our Board and appreciate the diverse experience and expertise they bring to the Corporation.

In December 1980, it was with great regret that the Board accepted the resignation of Mr. Peter Lamb, Executive Vice President. Mr. Lamb had been with the Corporation since its inception in 1974, and has contributed significantly to the Corporation's evolution to date.



The Corporation is now well positioned to continue its strong performance in 1981 and beyond. Investment activity and the development of new opportunities will increase substantially over the next five years. The Corporation can expect to rapidly increase its investment program with the objective of enhancing Ontario's energy supply. Research and development will continue to be commercially directed and the Corporation will continue to pursue opportunities for profitable investments in resources and high technology which will lead to value-added secondary manufacturing in Ontario and the development of exportable Ontario based expertise.



To date, revenue from short-term investments has provided the cash flow for project investment. Emphasis on long lead-time, high-risk, capital intensive projects must be balanced with the need for an assured cash flow to maintain the Corporation's financial strength. While our investments should lead to a much higher level of earnings in the long term, continued investment in new technology and new energy forms will keep our profit margins low over the next few years.

As a result the Corporation will be exploring new sources of financing and will be pursuing a more balanced portfolio in 1981.

Over the year, the full time staff of the Ontario Energy Corporation has grown to a total of 27, well within the staffing plan of 35 and in accordance with the intent that the Corporation remain a compact organization. The hard work, effort and dedication of the staff has turned the Ontario Energy Corporation's exciting potential into positive results.

In the 1979 Annual Report I indicated to you that the Corporation was prepared to make a vital contribution to Ontario's policy for energy security for the eighties. I am pleased to report 1980 as a year of growth and to confirm that the Corporation is achieving a leading position in energy development in

Ontario. Energy policy statements made in 1980 by the Government of Ontario provide a framework for the activities of the Ontario Energy Corporation in 1981 and beyond. Indeed, investment activity in 1980 complemented provincial energy policy in the areas of alternate energy, power-sharing, energy conservation and conventional energy supply. The Corporation will continue this forward-looking investment program throughout 1981.

Respectfully submitted,  
On Behalf of the Board,



Malcolm Rowan,  
Chairman.

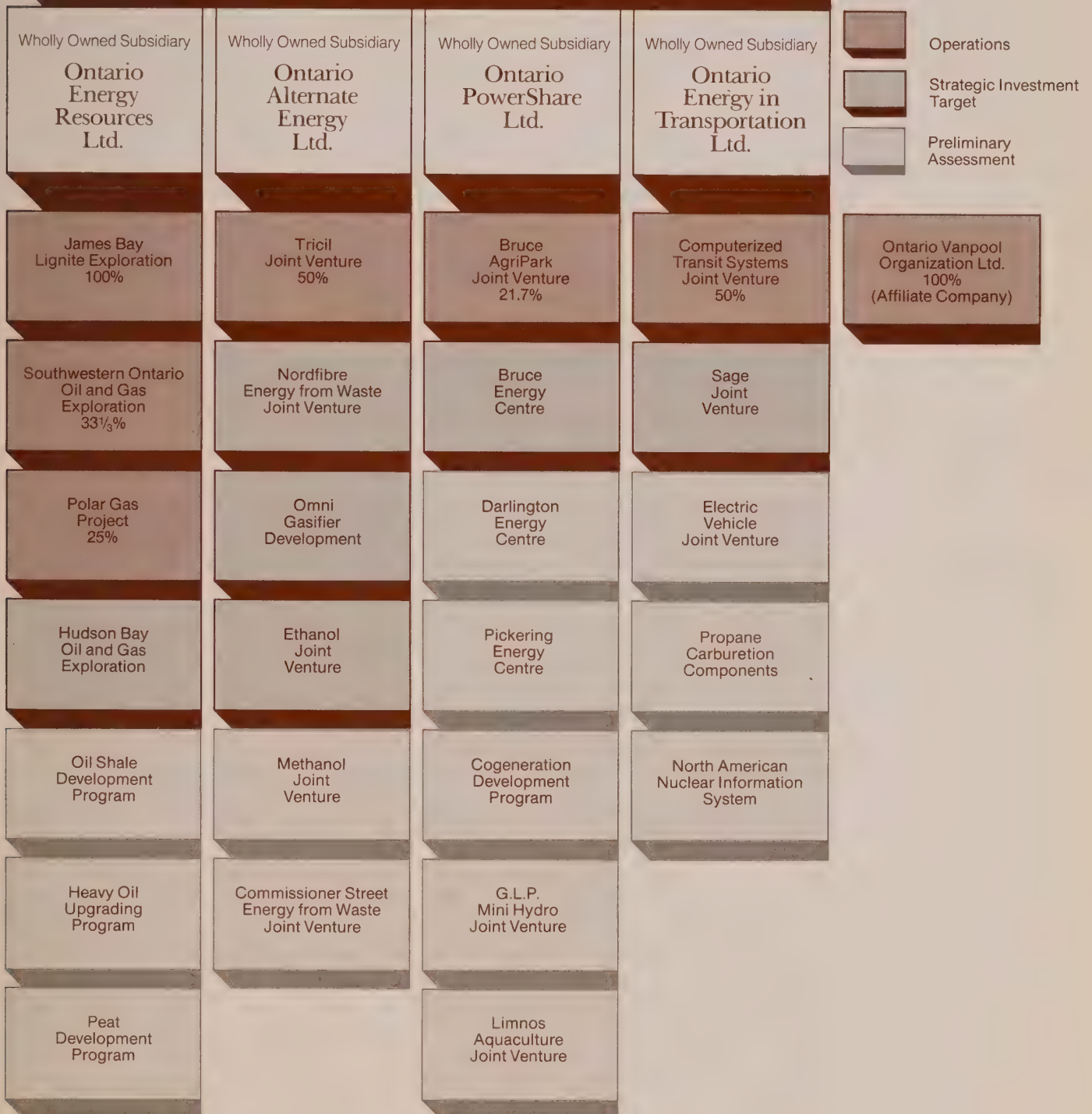


## Investment Criteria

The Corporation will consider participation in individual energy projects which would satisfy the following criteria:

- Compatibility with the Corporation's objectives;
- Allows an interest in tangible assets or other commercial property;
- Provides an expected return (internal rate of return) to the Corporation at least equal to the Ontario Government's borrowing rate at the time of participation;
- Primarily involves an investment or financing role rather than an operating role;
- Does not involve a subsidy or grant from the Corporation;
- Compatibility with the energy policy of the Ontario Government.

# Ontario Energy Corporation



## Review of Operations

### Ontario Energy Resources Ltd.

During its first year of operations, Ontario Energy Resources Ltd. was active in developing and managing projects which involved the exploration and development of conventional non-renewable resources. Exploration and development expenditures amounted to \$2.3 million in 1980. This included participation in the Polar Gas Project and oil and natural gas and lignite exploration.

#### Oil and Gas

The Corporation continued as a partner in the five member Polar Gas consortium and increased its investment in this project by \$1.8 million in 1980, bringing total investment to \$15 million at year end. The Corporation funds 25% of the on-going research costs and one-third of other related costs. If approved by the National Energy Board, the Polar Gas Pipeline could bring approximately 2.1 billion cubic feet of natural gas from the high arctic per day to Ontario markets by the 1990's. An application to the NEB is expected to be filed in late 1981.

In 1980, Ontario Energy Resources Ltd. and two private oil companies began developing a program for oil and gas exploration in Hudson Bay. The group is seeking a license from the federal government to conduct a five year exploration program. The development of any commercial reserves discovered and construction of the required transportation system would take a number of years, making a new energy source available to Ontario within ten to twelve years. No decision had been made by the federal government on the license at year end.

The Corporation was part of a joint venture group which

undertook seismic exploration for oil and natural gas on approximately 45,000 acres in south-western Ontario in September and October 1980.

Assessment of the results has warranted additional seismic and exploratory work to be undertaken in 1981. The Corporation holds a one-third interest in this joint venture with two other private companies.

Four other proposals involving total expenditures of up to \$16.8 million for oil and natural gas exploration in southern Ontario over 3 to 5 year periods were under review at year end. Investment decisions will be made in 1981.





### Lignite

Acting under an exploratory license issued in September 1980, Ontario Energy Resources Ltd. initiated a lignite exploration program to survey 1 million acres in the James Bay Lowlands area. This preliminary geological investigation, which included surface reconnaissance and out-crop sampling, confirmed the presence of lignite. Based on these encouraging findings, the Corporation has concluded that an expanded exploration program over a three year period is warranted involving an expenditure of at least \$4 million.

Lignite can be used as a fuel for the generation of electricity as well as feedstock for the production of alternate fuels. Research to determine the most effective end-use for lignite is underway and will be continued in 1981.

### Peat and Oil Shale

Ontario Energy Resources Ltd. continued to examine the potential for the development of peat and oil shale resources in Ontario.

Two proposals relating to peat development were under review at year end. The province of Ontario possesses large deposits of peat which, due to rising energy prices, are becoming more attractive as a fuel source. The Corporation will be structuring a program to exploit the energy potential of this indigenous resource in 1981.

Preliminary investigations of the oil shale potential in Ontario were undertaken by the Corporation in 1980. It is estimated that the province has a potential of 180 billion barrels of oil equivalent in the form of shale. A five year program to confirm the presence of commercially exploitable oil shale reserves was underway at year end. A number of private companies have indicated an interest in pursuing oil shale development in Ontario and it is expected that a joint venture will be structured in mid 1981.

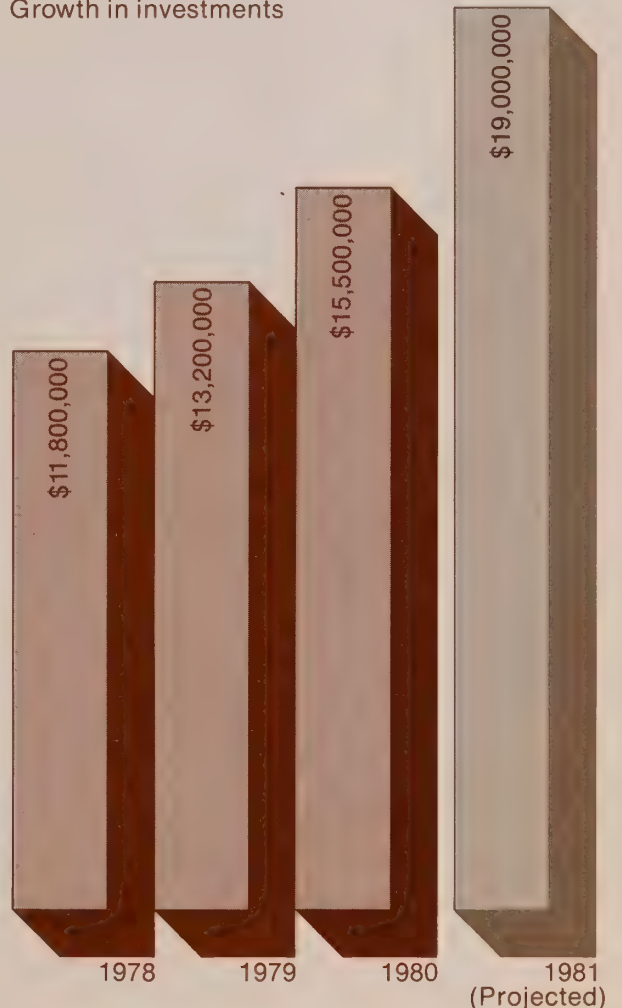
Preliminary investigation of a number of areas of potential activity were also underway at year end including recycling of used oil and enhanced recovery of remaining Ontario oil reserves not recoverable by conventional production methods.

### Outlook

The incentives for oil and gas exploration provided under the National Energy Policy tabled by the federal government in October 1980 makes exploration by Canadian owned and controlled companies appealing. The Corporation is investigating the opportunities presented by the incentive program to increase its oil and gas exploration activity on provincial and federal lands. Where feasible, participation in off-shore exploration programs will be considered.

The Corporation will continue to encourage broad exploration programs in Ontario. The 1981 investment program will seek to meet this objective while balancing investment risk.

Growth in investments



# Review of Operations

## Ontario Alternate Energy Ltd.

While Ontario needs secure supplies of conventional oil and gas to meet its current energy requirements, the future of the province also lies in its ability to develop alternate energy from indigenous resources and to substitute these for non-renewable resources. During 1980, Ontario Alternate Energy Ltd. targeted energy from waste and alternate fuels as priority investment areas.

### Energy from Waste

The Ontario Ministry of Energy has identified energy from waste as providing 3.8% of the province's primary energy requirement by 1995. The Ministry estimates that 8.5 million barrels of crude oil equivalent could be produced annually from municipal solid waste, forest (mill) residue and industrial by-product heat recovery. The Corporation pursued investment opportunities in each of these areas of energy-from-waste production throughout 1980.

In 1980, the Corporation began assessing possible joint-venture participation in two commercial energy-from-waste projects: the

Commissioner's Street Incinerator Waste Recovery project in Toronto, Ontario and the Nordfibre EFW project in North Bay, Ontario. Both projects involve the incineration of municipal solid waste for the production of steam and possible electricity for industrial use. These projects were still under review at year end. Investment decisions are expected in 1981.

In December 1980, the Corporation and Omnifuel Gasification Systems Ltd. agreed on the principles of a joint venture to develop and market commercial gasification systems which primarily use forest biomass to produce energy as a source of combustible gas for heating,

driving diesel engines or as a feedstock for the production of methanol.

The Corporation expects to participate as an equity partner committing \$1 million over the next three years in the development of this technology. A joint-venture agreement is expected to be signed in mid 1981.

### Electrical Generation at SWARU

In March, the Ontario Energy Corporation joined with Tricil Ltd. of Hamilton, Ontario to assess the economics of adding electrical generating capacity to the refuse-burning plant (SWARU) of the Regional Municipality of Hamilton-Wentworth.





Results showed that the installation of a 4 megawatt turbine generator would allow garbage incineration and electricity production to take place simultaneously. This process would increase plant efficiency, improve operating costs at SWARU and provide an inexpensive, though small-scale, source of electricity for the Hydro grid. The steam produced from burning garbage will drive turbines to generate the electrical power equivalent of 800,000 gallons of fuel oil per year – enough to heat about 1,300 homes.

This will be the first commercial electric generation facility in Canada to be fueled by municipal solid waste. The \$2 million joint-venture agreement will be signed in early 1981.

### Alternate Fuels

A significant effort was made during 1980 in the development of joint ventures to pursue the commercial production of methanol and ethanol as alternate transportation fuels from natural gas and biomass. Discussions were held with a number of private companies including a major gas transportation company and a major process company.

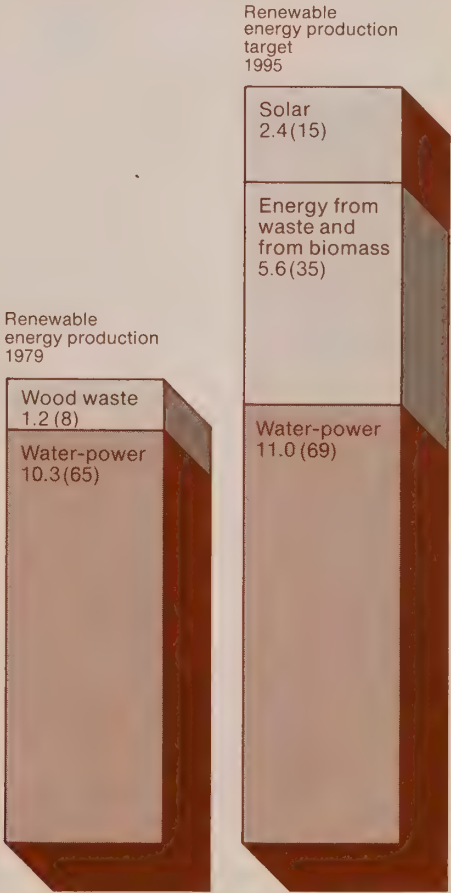
The Corporation expects to play a much more significant role in organizing, structuring and financing the commercial production of power alcohols in 1981. It will seek investments which will increase its capability to undertake the construction and operation of commercial scale ethanol and methanol production facilities. A unit within the Corporation will be set up in early 1981 to co-ordinate the orderly development of feedstocks for ethanol and methanol production, to plan, co-ordinate and develop markets for alternate fuels and to participate in the development of new technology where practical. Negotiations with private companies in many of these areas were already underway at year end. The Corporation expects investments in this area to increase by \$4 million in 1981.

### Outlook

Emphasis on the development of commercial energy from waste facilities throughout the province will continue to be a priority strategy in 1981. The Corporation will seek to maximize where feasible, the Canadian content of energy-from-waste technology and will concentrate on participating in projects to demonstrate the commercial viability of new processes and systems.

In the area of transportation fuels, the focus will be on the commercial development, production and marketing of these fuels and creating an economic alternative to conventional gasoline on which consumers can depend.

The potential of renewable energy in Ontario by 1995



Note: Amounts are in annual equivalents in millions of cubic metres of crude oil (millions of barrels of crude oil in parentheses).  
Source: Ontario Energy Review Second Edition

## Review of Operations

### Ontario PowerShare Ltd.

Ontario PowerShare Ltd. concentrated its activity on maximizing energy efficiency through the commercial development of co-generation and by-product heat projects. The development of thermal energy uses at the Bruce Nuclear Power Development has been by far the major area of activity of the PowerShare group.

#### The Bruce Energy Centre

The Corporation continued its participation in the Bruce AgriPark waste heat project carrying a 21.7% interest in the joint venture. Crop production and monitoring work continued at the one acre prototype greenhouse constructed near Kincardine, Ontario by the Joint Venture in 1979. The prototype demonstrates the feasibility of utilizing waste heat from nuclear generating stations for agricultural purposes.

The 1980 spring tomato crop totalled 93,170 pounds from 7,700 plants averaging a total of 12.1 pounds per plant. Tomato and cucumber sales yielded \$69,555. Produce was sold throughout the year in Kincardine, Port

Elgin and the surrounding area. As sales indicate, consumer response was excellent.

Research conducted in mid 1980 confirmed the availability of excess steam as a power source from the Bruce Nuclear Generating Station, and the project evolved from an agri/aqua park to a more encompassing energy centre concept including industry in late 1980.

The development of the Bruce Energy Centre will be undertaken by a new joint venture overseeing activities in three areas: the Bruce AgriPark, first established in 1979 and two new areas of interest - the Bruce Industrial Park and the Bruce



Thermal Utility. In addition to being a major participant in the joint venture, the Ontario Energy Corporation also assumed overall project management responsibility in 1980.

Construction of a 24" pipeline from the generating station to industrial and agricultural customers is expected to begin in 1981



with completion scheduled for October 1982. Total cost is estimated at \$15 million. 2000 acres have already been optioned near the Bruce Plant for the energy centre development.

Industrial and local response to the project has been enthusiastic and positive. The steam capacity available over and above the amount needed to produce electricity is equivalent to about one-third of Ontario's current industrial demand and will ultimately be equivalent to almost 40,000 barrels of oil per day.

Beyond the industrial and agricultural development, the centre is envisaged as the focal point for the production of alternate transportation fuels such as hydrogen, ethanol and methanol. In keeping with its corporate strategy, the Ontario Energy Corporation will play a leading role in the development of the supply of alternate fuels for Ontario. The Bruce Energy Centre will be the largest energy centre of its kind in the world.

Other PowerShare projects under assessment at year end included a proposal to develop commercial applications for the utilization of waste heat and two proposals to develop and operate small hydraulic power stations. The Corporation is also considering participation in a unique opportunity to combine refuse disposal, cogeneration and district heating in the Ottawa region. Feasibility studies have been completed and work on the project is expected to begin in early 1981.

The potential use of lumber mill waste for electrical power generation and heat for greenhouse seedling production and other uses was also under review at year end. New investment in co-generation and waste heat utilization projects is expected to increase by \$2.8 million in 1981.

**Outlook**

In 1981 and beyond, PowerShare Ltd. will be most active in the development of the energy centre concept, co-generation and radiating/cascading energy systems on a large scale basis. Investments will seek to encourage the development and utilization of thermal energy.

In order to supplement electrical supply PowerShare is prepared to work with the private sector to build, finance and develop facilities for co-generation, parallel generation and aggregation of mini-loads. This strategy calls for increased investment in new technologies, the development of industrial sites for energy sharing and providing links between the producers and suppliers of energy.



Growth in investments



# Review of Operations

## Ontario Energy in Transportation Ltd.

During 1980 the Corporation's activities focused on the development and management of projects involving the efficient use of energy in transportation. Investments emphasized conservation, improved fuel efficiency of existing transportation modes and new transportation oriented technology. In its first year, commercial vanpooling has been at the forefront of the Corporation's activity. Investment in the field of computerized transit information systems also moved ahead quickly.

### Commercial Vanpooling

In April, an affiliate company, the Ontario Van Pool Organization Ltd. (OVPO) was established to promote commercial vanpooling. By August the first van was on the road and by the end of 1980, 16 vans with more than 170 people were commuting in the vicinities of Toronto and Ottawa.

In the fall, a commercial assessment study was undertaken to evaluate the success of the project. The results made available in December of this year were very encouraging, and suggested OVPO expand its van fleet to 100 vans. This expansion will be undertaken in 1981. Further investigation into car/vanpool

matching will also be undertaken next year.

### Computerized Transit Systems

A joint-venture agreement was signed with the Teleride Corporation Ltd. (Toronto) in April 1980 to design, develop and market computerized transit information systems. Through the use of a talking computer which answers telephone calls, up-to-the-minute scheduling and routing information is made available to public transit passengers. The results of a pilot project conducted in Mississauga, Ontario, in 1979 have confirmed as much as a 35 per cent increase in ridership with the system. In September 1980, a bilingual computerized



assistance service was introduced to selected bus routes in Ottawa, Ontario.

The Corporation has committed up to \$2.8 million to this joint venture of which \$400,000 was expended in 1980. The system is being marketed throughout Canada and the United States.



Further investment in the area of computerized transit technology is planned for 1981. At year end, joint venture negotiations were underway to acquire equity in an innovative computer-based system designed to assist the transit manager as opposed to the transit rider. The Corporation's investments in this area in 1981 will make it the North American leader in computerized transit technology.

Outlook

A primary strategy in 1981 and beyond will be to acquire equity in the transportation technology industry. Investment activity will be directed toward the gradual replacement of oil as the primary automotive fuel. Alternatives such as electricity, propane, hydrogen, power alcohols and the creation of the infrastructure required to permit the economical substitution of alternate fuels for fossil fuels will be developed. Investment in the area of computer and other high technology applications to public transit will be increased.



Growth in investments



# Consolidated Balance Sheet

December 31, 1980

## Ontario Energy Corporation

Assets	1980	1979
<b>Current Assets</b>		
Cash	\$ 220,410	\$ 63,884
Short-term deposits and accrued interest	26,989,238	27,358,351
Accounts receivable	39,637	2,385
Due from associated corporation (Note 3)	513,389	-
	27,762,674	27,424,620
<b>Participation in Projects (Note 2)</b>		
Polar Gas	15,008,220	13,242,897
Bruce Energy Centre	485,494	85,816
Computerized Transportation Systems	400,000	-
Oil, Gas and Coal Exploration	491,174	-
	16,384,888	13,328,713
<b>Deferred Project Expenditures</b>	172,204	78,032
<b>Furniture and Equipment — less accumulated depreciation of \$12,760 (1979 - \$3,753)</b>	51,989	33,781
	<b>\$44,371,755</b>	<b>\$40,865,146</b>

## Auditors' Report

To the Shareholder of  
Ontario Energy  
Corporation:

We have examined the consolidated balance sheet of Ontario Energy Corporation as at December 31, 1980 and the consolidated statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Haskins & Sells  
Chartered Accountants  
Toronto  
April 21, 1981

Liabilities	1980	1979
<b>Current Liabilities</b>		
Accounts payable and accrued charges	\$ 2,693,242	\$ 82,701
Current portion of loan from Treasurer of Ontario	75,000	-
	2,768,242	82,701
Loan from Treasurer of Ontario (Note 4)	637,500	-
	3,405,742	82,701

Approved by the Board:

*Calvin Rowan*

Director

*G. Hitchman*

Director

## Shareholder's Equity

### Share Capital

#### Authorized

2,000,000 common shares with no par value

20,000,000 non-voting special shares with  
no par value

Issued and fully paid — 2,000,000 common shares 100,000,000 100,000,000

Less 1,700,000 common shares held in treasury —  
at cost (85,000,000) (85,000,000)

Retained Earnings 25,966,013 25,782,445

40,966,013 40,782,445

\$ 44,371,755 \$40,865,146

# Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1980

Ontario  
Energy  
Corporation

	1980	1979
Interest	\$ 3,569,505	\$ 7,554,779
Additional costs on sale of participation in Syncrude Project (Note 5)	(2,500,000)	(626,903)
Gain on sale of oil sands leases	-	3,787,830
	1,069,505	10,715,706
General and administrative expenses (Notes 6 and 7)		
Salaries and employee benefits	503,434	134,468
Interest on loan from Treasurer of Ontario	76,998	569,037
Premises	35,283	16,442
Travel and meetings	44,111	15,575
Professional services	67,088	15,971
Communications	105,984	9,089
Office	44,032	7,908
Depreciation	9,007	3,753
Other	-	11,879
	885,937	784,122
Net Income	183,568	9,931,584
Retained Earnings, beginning of year	25,782,445	50,887,669
Dividend	-	(35,036,808)
Retained Earnings, end of year	\$25,966,013	\$25,782,445

# Consolidated Statement of Changes in Financial Position

Year ended December 31, 1980



	1980	1979
<b>Sources of Working Capital</b>		
Operations		
Net income	\$ 183,568	\$ 9,931,584
Items not affecting working capital		
Depreciation	9,007	3,753
Gain on sale of oil sands leases	-	(3,787,830)
	192,575	6,147,507
Loan from Treasurer of Ontario	637,500	-
Proceeds from sale of oil sands leases	-	4,000,000
	830,075	10,147,507
<b>Uses of Working Capital</b>		
Participation in projects		
Polar Gas	1,739,000	1,515,988
Bruce Energy Centre	399,678	85,816
Computerized Transportation Systems	400,000	-
Southwestern Ontario Oil and Gas	254,818	-
James Bay Lowlands Lignite	236,356	-
Oil sands leases	-	187,483
	3,029,852	1,789,287
Deferred project expenditures	120,495	78,032
Purchase of furniture and equipment	27,215	37,534
Repurchase of issued common shares	-	85,000,000
Dividend	-	35,036,808
	3,177,562	121,941,661
<b>Decrease in Working Capital</b>	<b>(2,347,487)</b>	<b>(111,794,154)</b>
<b>Working Capital, beginning of year</b>	<b>27,341,919</b>	<b>139,136,073</b>
<b>Working Capital, end of year</b>	<b>\$24,994,432</b>	<b>\$ 27,341,919</b>

# Notes to the Consolidated Financial Statements

December 31, 1980

## Ontario Energy Corporation

### 1. Significant Accounting Policies

#### Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries which are:  
Ontario Alternate Energy Ltd.  
Ontario Energy In Transportation Ltd.  
Ontario Energy Resources Ltd.  
Ontario PowerShare Ltd.

#### Participation in projects

The costs of services provided to the Corporation, less any sundry revenues, are included as the cost of participation in projects. The accumulation of such costs as reflected on the balance

sheet does not purport to represent the present or future value of the Corporation's participation in such projects.

#### Deferred project expenditures

The Corporation capitalizes charges for services received in connection with projects it is investigating. If the Corporation does not expect to participate in a project or be able to obtain the benefit of its project costs from participation in a project, the related deferred project expenditures will be reflected as an expense. Deferred project expenditures for which the Corpora-

tion will receive a benefit will be treated in accordance with the applicable agreements.

#### Furniture and equipment

Furniture and equipment is stated at cost and is depreciated using the straight-line method over a period of sixty months.

#### Income taxes

The Corporation is not subject to income taxes so long as not less than 90% of its outstanding shares are held directly or indirectly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.

### 2. Participation in Projects

#### Polar Gas Project

The Corporation is one of five continuing participants, four of whom are presently providing funds, in the Polar Gas Project and accordingly bears 25% of the ongoing research costs and 33 $\frac{1}{3}$ % of costs related to the application for regulatory approval. The purpose of the project is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from areas in the Canadian Arctic to southern markets.

In the event a company is formed to build and operate transmission facilities, each participant's interest is convertible into equity or debt of such company. Alternatively, under certain circumstances, each participant's interest may be repaid.

#### Bruce Energy Centre

The Corporation is currently a 21.7% participant in the Bruce AgriPark joint venture, the initial purpose of which was to demonstrate the feasibility of utilizing waste heat produced at the Bruce Nuclear Power Development. Subsequent events have resulted in an expansion of the original concept to one which would develop an industrial park serviced by steam produced at the Bruce Nuclear Power Development and which will be known as the Bruce Energy Centre.

The original arrangement, which is subject to change, was that in the event a company is formed to construct and operate facilities for commercial, agricultural or aquacultural purposes, each participant's interest is convertible into equity and/or debt of such company. Alternatively, under certain circumstances, each

participant's interest may be repaid.

Prior to the corporation becoming a participant, the Province of Ontario incurred \$100,000 of costs related to the initial project the benefit from which will accrue to the corporation.

#### Computerized Transportation Systems

Ontario Energy In Transportation Ltd. has purchased for \$400,000 a 50% equity interest in this joint venture. Additionally, Ontario Energy Corporation has undertaken to advance up to \$2,400,000 to the joint venture to fund the continuing development and marketing of transit-oriented computer systems.

Until the advances are repaid, plus interest at the bank prime rate plus 1%, all profits will be allocated to the Corporation. The advances will be secured by a first right to all joint-venture assets.



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### **Oil, gas and coal exploration**

#### **Southwestern Ontario Oil and Gas**

In June 1980, the Corporation agreed to be a one-third participant in a joint venture to conduct oil and natural

gas exploration in an area in southwestern Ontario comprising approximately 45,000 acres.

#### **James Bay Lowland Lignite Exploration Program**

In September 1980, the Cor-

poration received a three-year Licence of Occupation to explore for minerals on approximately 1 million acres in the James Bay Lowlands. Preliminary exploration has commenced.

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### **3. Due from Associated Corporation**

Included in the amount due from an associated corporation, Ontario Van Pool Organization Ltd. (OVPO), is

a demand loan amounting to \$380,000 on which interest is payable annually in an amount equal to the reported

net profit before interest of OVPO.

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### **4. Loan from Treasurer of Ontario**

The loan bears interest at 13.75% per annum and is

repayable in 25 equal semi-annual instalments com-

mencing on September 30, 1980.

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### **5. Sale of Participation in Syncrude Project**

The Corporation sold its participation in the Syncrude Project in 1978 subject to final adjustment of the amount due to the purchaser

by the Corporation. Additional costs of \$626,903 were paid in 1979 and the Corporation has provided for an estimated additional

\$2,500,000 in 1980. The actual amount of the final adjustment is still to be determined.

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### **6. General and Administrative Expenses**

The general and administrative expenses of the Corporation to May 1, 1979 were

paid by the Province of Ontario, the Corporation's shareholder.

# Corporate Information

## Ontario Energy Corporation

### Board of Directors

Malcolm Rowan, Chairman,  
Deputy Minister,  
Ministry of Energy,  
Toronto, Ontario

George C. Hitchman,  
Deputy Chairman,  
Director of the  
Bank of Nova Scotia,  
Toronto, Ontario

David L. Campbell,  
President,  
David L. Campbell Ltd.  
Consulting Engineers,  
Toronto, Ontario

Rendall Dick, Q.C.,  
Deputy Treasurer  
of Ontario,  
Deputy Minister of  
Economics,  
Toronto, Ontario

W. Edwin Jarmain,  
President,  
Jarmain Communications  
Inc.,  
Toronto, Ontario

Thomas E. Kierans,  
President & Director,  
McLeod, Young, Weir Ltd.,  
Toronto, Ontario

David Melnik, Q.C.,  
Melnik and Saunders,  
Toronto, Ontario

L.R. Wilson,  
Deputy Minister,  
Industry and Tourism,  
Toronto, Ontario

### Officers

Malcolm Rowan,  
President

Peter Szego,  
Vice President  
Corporate Development  
and Treasurer  
Pro tempore

Robin Law, Q.C.,  
Secretary and Legal  
Counsel,  
Blackwell, Law, Spratt,  
Armstrong and Grass

### Auditors

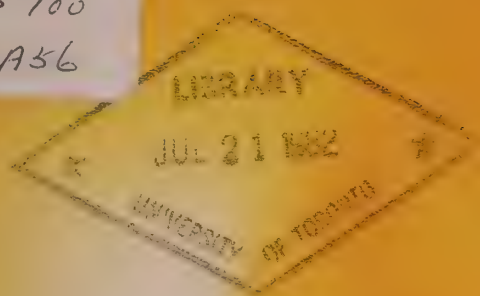
Deloitte, Haskins & Sells,  
Toronto, Ontario



Ontario Energy Corporation  
1200 Bay Street  
11th floor  
Toronto, Ontario



CA26N  
ES 100  
- A56



## Ontario Energy Corporation Annual Report 1981

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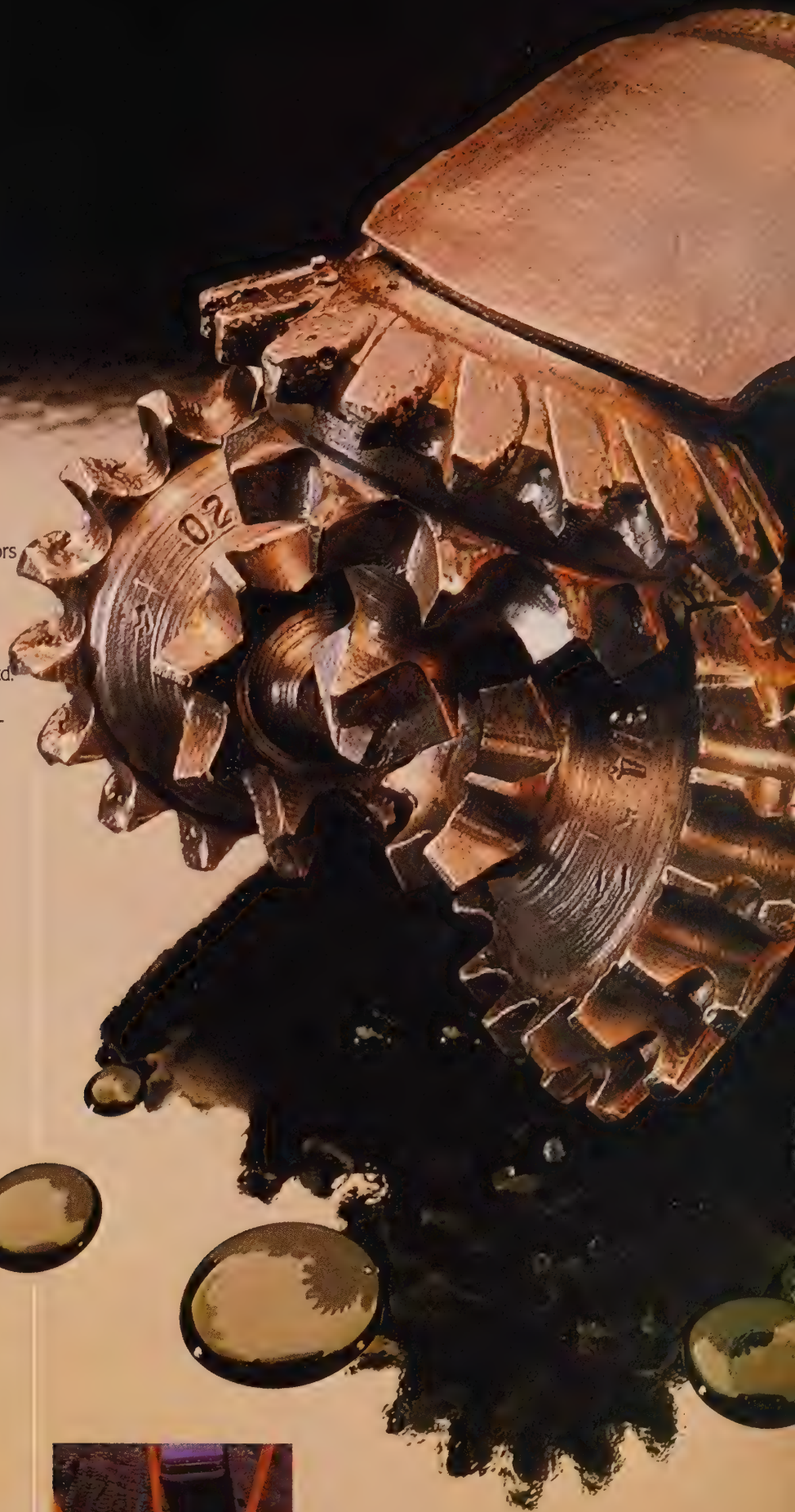
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- Onexco Ltd.
- Ontario Alternate Energy Ltd.
- Ontario PowerShare Ltd.
- Ontario Energy in Transportation Ltd.

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## Corporate Profile

The Ontario Energy Corporation was established in 1974 by the Government of Ontario to invest in Canadian energy projects that will improve the availability of energy in Ontario. Together with the private sector, the Corporation invests on an equity basis in all areas of energy development. Having its shares held by the Minister of Energy and operating under the Business Corporations Act of Ontario, the Corporation works with private enterprise to help Ontario become more self-reliant in energy.

## Mission

To assist Government in the pursuit of a more secure energy future for Ontario through a dual strategy of participation in a variety of innovative, catalytic, leadership energy activities supported by profitable investment positions in selected energy ventures.

## Corporate Objects

From Section 6 of the Ontario Energy Corporation Act 1974 "invest or otherwise participate in energy projects throughout Canada or elsewhere in order to:

- Enhance the availability of energy in Ontario;
- Stimulate exploration for and the development of sources of energy;
- Stimulate expansion of the capability to produce energy;
- Encourage investment in energy projects and the effective use of financial, human and other resources in energy projects; and

- Encourage the development of processes and equipment that will avoid the wasteful use of energy and that will minimize harm to the environment"

## Events

- Purchased 25 per cent of Suncor Inc. from Sun Company, Inc. of the United States for \$650 million
- Received a five-year federal exploration agreement, with two private sector partners, for oil and gas exploration in Hudson Bay
- Signed a joint venture agreement to develop commercial gasification systems from forest biomass
- Completed a formal agreement for the installation of 4-megawatt generator at the SWARU refuse-burning facility in Hamilton-Wentworth
- Joined with six private partners to form Bruce Energy Centre Development Corporation (BECDEVCO) for the commercial marketing of surplus steam from the

Bruce Nuclear Power Development (BNPD)

- Reached agreement in principle with the Ministry of Energy to be systems contractor for Ontario's alternative fuels program
- Became joint venture partner in SAGE Transportation Management Systems to develop and market computerized transit programs
- Appointed full-time President and Chief Executive Officer.

### Financial Highlights

	For the year ended December 31, 1981	For the year ended December 31, 1980
Total assets	\$693,430,035	\$44,371,755
Total participation in projects	\$669,147,233	\$16,384,888
Net income	\$ 239,275	\$ 183,568
Retained earnings	\$ 26,205,288	\$25,966,013



## Report to the Board of Directors

The Ontario Energy Corporation and its subsidiaries made significant advances during 1981 in support of the government's energy policy.

The Corporation's assets increased in the past year from just over \$44 million to nearly \$700 million, placing it well within the ranks of Canada's top 100 industrial companies on an asset basis. The purchase of 25 per cent of the common shares of Suncor Inc. late in the year contributed most to the Corporation's growth.

*Left, Malcolm Rowan, President and Chief Executive Officer of Ontario Energy Corporation. Right, Ted Jarman, Chairman of the Board of Ontario Energy Corporation.*

## The Corporation's Mission

The Corporation is charged with creating new energy activities for Ontario while remaining a self-financing commercial entity. To achieve these dual goals requires a balance between public benefits and risk taking on the one hand and a sufficiently high commercial return for the Corporation to finance its activities.

Accordingly, the Corporation's Statement of Mission is: "To support Government in the pursuit of a more secure energy future for Ontario through a dual strategy of participation in a variety of innovative, catalytic, leadership energy activities supported by profitable investment positions in selected energy ventures."

## Energy Policy

The energy issues now facing Ontario, which are the basic *raison d'être* of the Corporation, are Canada's oil deficit and the security of its energy supply.

Three principal policy approaches – increasing conventional energy supply, substituting more plentiful energy forms for oil, and increasing the efficiency of energy consumption – have evolved as the cornerstones of Ontario's energy policy.

Within these three broad policy approaches, four areas identified in late 1980 by the Government of Ontario for emphasis by the Ontario Energy Corporation formed the context of the Corporation's 1981 activities.

These areas of emphasis include:

- participating in the "Canadianization" of the oil and gas industry to reduce the level of foreign ownership;
- encouraging the development of Ontario's capability to use nuclear steam for industrial and agricultural purposes;
- participating in projects which produce energy from waste;
- investigating the commercial potential of methanol and ethanol as alternative transportation fuels.

Within this policy framework the Ontario Energy Corporation played a significant and increasingly important role during 1981, emphasizing four types of activities:

- investment holding,
- venture capital,
- energy exploration, and
- energy development.

Investments in each of these four areas advance provincial energy policy. The impact of each area, however, in terms of return on investment, payback period, risk and contribution to the Province's energy policy is often different as between each business area and as between each investment.

Since 1979, when the Ontario Energy Corporation was recapitalized and its terms of reference were broadened, the Corporation has concentrated on three areas: transportation energy conservation, the production of alternative forms of

energy from indigenous feedstocks and from waste products, and increasing the supply of crude oil.

## Investment Holding

Investments in this business area are made where there is a reasonable prospect of a good rate of return and where at least in the near term, the investment is unlikely to be sold.

As a direct result of the Minister of Energy's announcement of October 10, 1980, that the Ontario Energy Corporation's mandate would be expanded and that it would participate in the Canadianization of the petroleum industry, the Ontario Energy Corporation, through its subsidiary, Ontario Energy Resources Ltd., purchased 25 per cent of the issued common shares of Suncor Inc. from Sun Company, Inc., Radnor, Pennsylvania, for \$65 million.

With this purchase, the Ontario Energy Corporation moved into the forefront of Canadian business with assets of nearly \$700 million and now ranks, on an asset basis, among Canada's top 100 industrial corporations.

The Suncor purchase not only facilitates the transfer to Canadians of the ownership and control of one of Canada's largest integrated oil companies; it also enables Suncor to take advantage of the new rules and incentives set out in the National Energy Program.

In conjunction with its private sector partners, the Corporation in 1981 moved to establish the Bruce Energy Centre Development Corporation with the objective of developing an industrial and





agricultural complex adjacent to the Bruce Nuclear Power Development.

As well, the Corporation's subsidiary, Ontario PowerShare Ltd., entered into a contract with Ontario Hydro for 250,000 lbs per hour of steam. This is the initial steam supply for the proposed Bruce Energy Centre.

A joint venture was entered into with Tricil Corporation to install a 4 megawatt turbine generator at the SWARU plant in Hamilton.

### Venture Capital

These investments are made with the intention that they will eventually be sold once the business has proven successful. The return on such investment for the Corporation will normally be in the form of capital gain.

During 1981, the Corporation invested in Omnifuel Gasification Systems Ltd., SAGE Management Ltd., and Energreen Ltd.

### Energy Exploration

Exploration by its nature can be considered to be a speculative investment with high risk, and with uncertain but often substantial returns.

While Ontario has limited reserves of oil, gas, and coal, it can make some further significant contributions to the province's energy supply in these areas.

The Corporation has, therefore, invested with private sector partners in oil and gas exploration in southwestern Ontario and in Hudson Bay, and in lignite exploration in the James Bay Lowlands region of Northern Ontario.

### Energy Development

The Corporation's energy development business is particularly important in light of Ontario's energy policy. However, because these energy projects are not yet at the commercial stage, there is no basis at this time to project a rate of return.

Polar Gas continued to be the Corporation's major developmental investment. To date, some \$16 million has been invested in this venture to provide Ontario with supplementary supplies of natural gas from the Arctic Islands.

During the year the Corporation was designated by the Minister of Energy as the government's vehicle for advancing the government's alcohol fuel program. Contract negotiations with the Ministry have now been completed and final approval is anticipated in the new year.

Under this agreement, the Corporation would undertake a variety of technology-related investments designed to test the feasibility of producing alcohol fuel (methanol and ethanol) from various feedstocks - lignite, peat, wood, natural gas - as well as new technologies and processes.

During the year the Corporation's affiliate, Ontario Van Pool Organization (OVPO), expanded its van fleet from 25 to 30 vehicles and undertook further work to demonstrate the concept of commercial third-party van pooling.

Some initial work was undertaken by the Corporation to assess Ontario's resources of oil shale.

### The Energy Environment

Security of oil supply continues to be Canada's primary energy concern. But, while energy issues continued to dominate the Canadian and international scene in 1981, the focus was quite different from previous years.

OPEC oil production dwindled to 23 million barrels a day (b/d) on average in 1981, compared with a record 31 million barrels a day in 1979.

World oil supplies temporarily exceeded demand. In fact, an oil surplus of 2 million b/d developed. Although this surplus was less than 1.5 per cent of the world annual energy consumption, it was enough to transform oil from a sellers' into a buyers' market and to enable Saudi Arabia successfully to reassert its influence over the pricing

of crude oil on world markets, at least in retarding price increases.

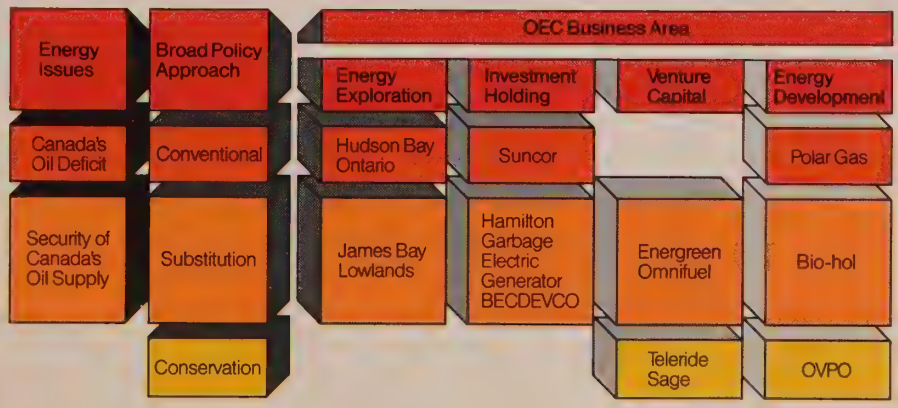
In Canada, the federal government and Alberta concluded a 5-year crude oil pricing agreement on September 1, 1981, providing a measure of pricing certainty long absent for Canadian producers. However, while oil prices to consumers will be significantly higher as a result of the agreement, the oil industry does not consider the amount allocated to it will stimulate enough production that crude oil self-sufficiency can be achieved by the end of the decade.

Even if there is no change in the OPEC price of crude oil (now officially U.S. \$34.00 per barrel) between December 31, 1981, and December 31, 1983, the price of Canadian oil discovered prior to January 1, 1981, would be able to rise by 44 per cent (or Canadian \$9.35 per barrel), thus increasing significantly the price of petroleum products to the consumer.

Furthermore, the federal government's National Energy Program, announced October 28, 1980, introduced a whole new set of rules to the

continued on page 6

The Corporation's investments span four business areas. Each investment is related to one of three broad policy approaches designed to assist Government achieve a more secure energy future for Ontario.



Canadian crude oil and natural gas scene which significantly affects the ability of oil companies to participate in oil exploration and development, depending on their degree of Canadian ownership and control.

In spite of a generally more favourable near-term crude oil supply picture, therefore, the long-term outlook has not changed.

Indeed, the prospects for achieving Canadian oil self-sufficiency within 10 years seem less certain today than they did a year ago.

High public awareness and concern for energy matters is difficult, if not impossible, to sustain over any length of time. Complacency can quickly replace concern. During periods of evident oversupply and softening prices, it is correspondingly difficult for government to pursue long-term, high-cost policies designed to overcome or avoid tomorrow's supply problems. And most energy supply policy and planning must look 10 to 25 years into the future.

As Canada attempts to achieve crude oil self-sufficiency and became less dependent on that form of energy, the policies and investments required will not be natural extensions of past approaches and cannot be tied to short-term price and supply aberrations.

Energy investment in Canada is now entering a new phase. From 1973 to 1981 the cost of energy investment for government and the energy

industry tended to be fairly small. But the period of low-cost investment in energy supply alternatives is over. Canada is now on the threshold of high-cost, high-risk investments.

First, to increase the supply of Canadian crude oil will require mammoth expenditures on megaprojects, often in hostile environments, on an unprecedented scale.

Second, to develop alternatives or substitutes for petroleum products will involve high technological and financial risks.

Third, investments in alternative energy sources will not succeed without concomitant policy initiatives to develop the appropriate markets and utilization systems.

Conservation will continue to be an important national priority, but it cannot provide the diversified indigenous basis of a secure energy supply. In a time of great economic uncertainty large energy investments may be risky; but they are no less essential.

This is the energy environment that Ontario and the Ontario Energy Corporation will face over the next few years.

### Future Directions

Though the Corporation's assets have grown rapidly, its revenue has not kept pace. This is not surprising in view of the policy related and long-term nature of most of

the Corporation's investments to date.

The future growth of the Corporation will be dependent on its ability to increase its revenue or find other ways to finance new initiatives.

A comprehensive strategic and operational review was started in the last quarter of 1981 to assess the Corporation's mandate, strategies, structure, and staffing. It is expected that this review will be complete in the coming year.

The Corporation's business activities now span a broad spectrum, ranging from conventional oil and gas through alternative energy, powersharing, and energy in transportation. These investments serve to increase the supply of oil, develop alternative fuels, or reduce the demand for energy, particularly for oil.

In total, the Corporation has demonstrated that it can play an increasingly important role in furthering the Province's energy objectives.

### Changes to Board and Staff

It was with regret that the Corporation accepted the resignation of Mr. Thomas Kierans as a member of the Board. The President wishes to extend to Mr. Kierans the Board's appreciation for his advice and counsel.

As a result of changes within the Ontario Public Service, Mr. Blair Tully was appointed a Director of the Corporation. Mr. Tully is Secretary to the Board of Industrial Leadership and Development.

In September 1981 Mr. Rowan was appointed full-time President and Chief Executive Officer, relinquishing his other responsibilities as Deputy Minister of Energy.

Respectfully submitted on behalf of the Board

*Malcolm Rowan*

Malcolm Rowan  
President and  
Chief Executive Officer





## The Corporation's Subsidiaries and Investments

### Ontario Energy Resources Ltd.

Suncor



### Ontario PowerShare Ltd.

Bruce AgriPark\*\*  
Energreen



### Onexco Ltd.\*

James Bay Lowlands  
Hudson Bay  
Southwestern Ontario  
Polar Gas



### Ontario Energy In Transportation Ltd.

Teleride  
SAGE



### Ontario Alternate Energy Ltd.

Hamilton Garbage  
Electric Generator  
Omnifuel



### Affiliate Companies

Ontario Van Pool  
Organization Ltd.  
BECDEVCO



proposed to be established in 1982.  
Participants in joint venture resolved in  
September 1981 to convert their interest into  
commercial company - BECDEVCO

## Review of Operations

Led by the purchase of 25 per cent of Suncor Inc., the Corporation's assets rose to nearly \$700 million by the end of 1981. One year earlier, assets totalled just over \$44 million.

Net income for the year was \$239,275, compared with \$183,568 a year earlier. Retained earnings at December 31, 1981 were \$26,205,288, as against \$25,966,013 at the end of 1980.

Reflecting the diversity of its activities, the Corporation's operations were managed by five subsidiary companies.

## Ontario Energy Resources Limited

Ontario Energy Resources Ltd. was established in 1980 to develop and manage all the Corporation's investments in projects to explore for and develop conventional non-renewable resources. With the purchase on December 23, 1981, of 25 per cent of the common shares of Suncor Inc. for \$650 million, it was decided to concentrate this asset in OERL and to redirect other investments in non-renewable resource development to another subsidiary.

### Suncor Inc.

Suncor Inc., one of Canada's largest oil companies, was the first in the world to tap the enormous potential of the oil sands on a commercial scale. Today, Suncor operates both mining and steam stimulation projects recovering hydrocarbons from the oil sands of Alberta. The Company explores for, and produces, conventional crude oil and natural gas in Canada's western provinces and participates in

the search for oil and gas in the frontier areas of the Arctic Islands, the Beaufort Sea, the Mackenzie Delta, and offshore Labrador.

Suncor manufactures, distributes and markets gasolines, petrochemicals, home heating oil, heavy fuel oil, lubricants, and specialty products under the Sunoco and Sunchem names. The Company owns and operates a refinery in Sarnia, Ontario.

Suncor is independently directed and managed by Canadians and pursues a policy of responding to Canadian needs.

Overall, the Company has 4,600 employees, of which 2,000 are in western Canada and the balance are located in Ontario and Quebec.

Suncor Inc. was formed in 1979 with the merger of Sun Oil Co. Ltd. and the Great Canadian Oil Sands Ltd. It has assets of \$1.76 billion (end 1981).

In 1980, based on the Financial Post's survey of the largest 500 companies, Suncor ranked:

- 50 in terms of sales (\$1.26 billion)
- 36 in terms of assets (\$1.7 billion)
- 11 in terms of net income (\$306 million)

While a majority of its common shares (approx. 75 per cent) are still owned by Sun Company, Inc. of the United States, the Sun Company has agreed that it will use its best efforts to sell at least another 26 per cent of Suncor shares to Canadians. If it does not achieve that objective by the end of 1984, the Ontario Energy Corporation has an opportunity to negotiate a further purchase of 13 per cent of Suncor shares. If, by the end of 1986, the Sun Company still has not sold a total of 51 per cent of its shares to Canadians, the Corporation has an opportunity to negotiate the purchase of another 13 per cent.

The Sun Company has also agreed that Suncor shares will be offered to the Canadian public. As well, it has agreed that Suncor will undertake an aggressive exploration and development program.

The Corporation has proportionate representation (currently 3 out of 14 directors) on the Suncor Board of Directors.



## Ontario's Policy Objectives

The purchase of 25 per cent of the common shares of Suncor was motivated by a number of policy objectives:

- The Suncor investment starts the Canadianization process of a company which, to this point, has been 99.8 per cent owned by Sun Company Inc., Radnor, Pennsylvania. The objective is to encourage private Canadian investment in Suncor.
- The purchase also gives Ontario an important new opportunity to get "a seat at the table" in the rapidly changing oil and gas scene. The timely additional information gained will provide greater opportunities for Ontario to influence national energy policy-making and to protect the interests of consumers.

As well, given the new energy rules, this investment puts Suncor in a better position to play an enhanced role in helping Canada achieve crude oil self-sufficiency.

With an extensive oil and gas acreage in the Arctic and off Labrador as well as extensive tar sands, heavy oil, and conventional oil reserves in Western Canada, Suncor is in a good financial, technological, and asset position to expand significantly its exploration and development activities.

Moreover, Suncor is a good investment for Ontario and the Ontario taxpayer.

The Canadianization of Suncor will enhance Canada's security of energy supply by enabling that company to

take advantage of the new incentives for the development of non-conventional oil resources. Such incentives are now denied to Suncor because it is foreign-owned.

Stated another way:

- Ontario's investment in Suncor speeds up the transfer of ownership and control of that company to Canadians.
- Ontario's investment will help Suncor take advantage of the federal government's petroleum incentives and helps Canada become oil self-sufficient.
- Ontario's investment in Suncor gives the Province greater opportunity to influence national energy policy and to protect the consumer.
- Ontario purchased Suncor shares at a good price and its investment will be to the benefit of the Ontario taxpayer.

## Security of Supply

Security of crude oil supply is still Canada's top energy priority today. We import close to 25 per cent of our needs, and it will take at least ten years to achieve oil self-sufficiency unless governments employ draconian measures on the price and/or the demand side. Given the inherent instability of most of the oil-exporting areas of the world, Canada must not delay its efforts to achieve that goal – this notwithstanding today's plentiful crude oil supply picture and softening world prices.

Ontario's perspective on the changing energy scene from 1973 to date, its emphasis on supply security and the need to accommodate the aspirations of producers and

consumers, has been a more accurate reading of reality than the positions of most other participants in the energy policy-making process in this country.

Ontario played a lonely and at times highly criticized role during that period, but events have vindicated the perseverance and leadership which this Province has displayed. Many aspects of Canada's oil and gas policy today reflect the principles which Ontario has advocated over the past few years.

The rules of the energy game have changed substantially in the past few years. Ontario is neither an energy (oil and gas) rule maker nor an energy rule regulator. Nonetheless, Ontario is the major energy consumer in Canada. As the rules change, so must this province. It cannot stand still. The Suncor purchase is of strategic importance to Ontario and to Canada.

## Canadianization

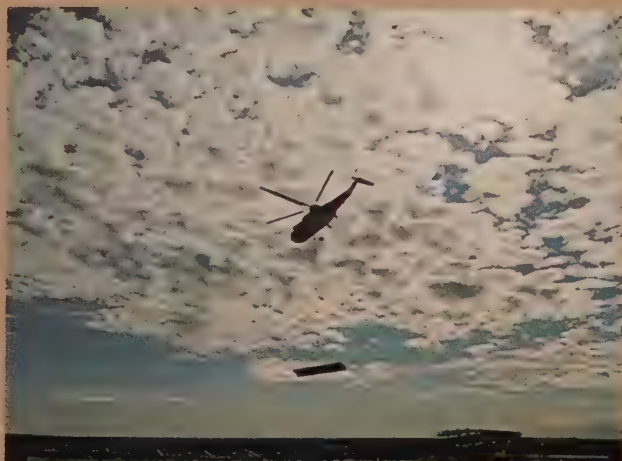
Ontario is encouraging the Canadianization of Suncor because, unless Suncor becomes Canadian-owned and -controlled, it will not be able to participate fully in the new exploration and development incentive system as set out in the federal government's National Energy Program (NEP).

With the introduction of the NEP, the petroleum industry's rules changed from the traditional tax incentive system to an incentive payment (grant) system. The rationale given for the need to change the rules is that the value of Canada's petroleum reserves occasioned by international events has increased considerably.

Given this increased value and the fact that the petroleum industry is largely foreign-controlled, it was felt by the federal government that a large increase in the value of Canadian petroleum reserves would further increase foreign control over the Canadian economy. Accordingly, it was believed that the pace and priority of Canadian energy projects would largely be determined by foreign companies.

The federal government's three goals for the Canadianization process are to achieve:

- at least 50 per cent Canadian ownership of oil and gas produced by 1990;
- Canadian control of a significant number of larger oil and gas firms; and
- an early increase in the share of the oil and gas sector owned by the Government of Canada.



## Review of Operations

### Onexco Ltd.

With the concentration of Ontario Energy Resources Ltd. on the management of the Suncor investment, the Corporation's interests in other exploration and development projects in the non-renewable resources sector will be moved to a new operating subsidiary, Onexco Ltd.

These interests include continuing participation in the proposed Polar Gas pipeline project, investment in an oil and gas exploration program in Hudson Bay, ongoing involvement in oil and gas exploration within Ontario itself, and the initial investigation of the development potential of some of the province's indigenous energy resources, including oil shale, lignite, and peat.

### Polar Gas

In order to provide Ontario with an interest and voice in major natural gas developments of the future, the Corporation is a partner, along with TransCanada PipeLines Ltd., Panarctic Oils Ltd.,

Tenneco Oil of Canada Ltd., and Petro-Canada in the Polar Gas project involving construction of a pipeline connecting Arctic Island and Mackenzie Valley/Beaufort Sea gas reserves to southern markets.

The pipeline, proposed for construction by the 1990s at an estimated cost of \$11.6 billion (1980 dollars), would have an initial capacity to bring 2.1 billion cubic feet of gas a day – the equivalent of 370,000 barrels of oil – from the high Arctic to Ontario markets. Its capacity could be expanded to as much as 3.3 billion cubic feet per day.

Under the partnership agreement, the Corporation

funds 25 per cent of the ongoing research costs of the project plus one-third of other related costs. Expenditures in 1981 amounted to \$1.2 million, bringing the Corporation's total investment to date to \$16.2 million.

### Hudson Bay

In October 1981, the Corporation, in equal partnership with Canadian Occidental Petroleum Ltd. and Sogepet Ltd., received an Exploration Agreement from the federal government to explore for oil and gas in Hudson Bay. The Agreement, for five years starting January 1, 1982, covers an area of some 72 million acres and is the largest exploration licence ever granted in Canada.

The first phase of exploration, scheduled for the summer of 1982, will involve a 5,000 kilometre marine seismic survey at an estimated cost of \$7.6 million. With positive results, a similar seismic program will be undertaken the following year. It is hoped that drilling will begin in the fifth year. If commercial reserves are found, it is





expected that 10 to 12 years would be required to develop and construct the necessary transportation system to bring them to the market.

## Other Oil and Gas Exploration

As part of its effort to encourage the development on Ontario's indigenous energy resources, the Corporation continued its participation in oil and gas exploration program in southwestern Ontario. The Corporation is a one-third partner in the joint venture along with Canada Utilities Service Ltd., the operator, and Petro-Canada Exploration Ltd.

Under the program, seismic surveys were made during the first half of the year and in December an exploratory well was drilled to a depth of 1,045 metres in Dereham Township, Oxford County, some 15 miles southeast of London. The well, while not commercially exploitable, indicated the presence of hydrocarbons; further exploratory drilling is planned in 1982.

The Corporation also was involved in preliminary investigation of the economic and technical feasibility of recovering the remaining oil from Ontario's older producing fields using oil-mining techniques. Discussions are continuing with private companies and other government agencies on this subject.

During the year the Corporation continued to assess and evaluate a number of potential investment opportunities in oil and gas projects in Ontario, western Canada, and on Canada Lands, both in the Arctic and off the East Coast. Further investment decisions are expected to be made in 1982.

## Oil Shale

Following preliminary investigation conducted in 1980, a study was initiated in the spring to confirm the presence and nature of Ontario's oil shale resources. The study included field investigation, collection of samples,

geological interpretation, and laboratory analyses. A final report is expected in spring 1982, and initial results are encouraging. During 1981 preliminary investigation also was completed on the potential environmental impact of oil shale development.

## Lignite

In 1980, the Corporation received a three-year exploratory licence from the Ministry of Natural Resources covering one million acres in the James Bay Lowlands area, north of Timmins. The first term of that three-year program was completed on August 31, and the second phase commenced immediately thereafter.

The field program during the year included drilling and geophysical work and extensive laboratory analysis was under way at year's end. Results to date indicate a number of lignite occurrences and at least one significant discovery within the licence area. An expanded field program is planned for 1982, as are continuing efforts to obtain private sector participation in the program. Investigation is also contin-

uing into processing technologies and potential markets; further research is required in both areas before investment decisions can be made.

Lignite, a low-ranked coal, can be burned directly for such things as the generation of electricity or as a feedstock for the production of alternative fuels.

## Peat

The Corporation continued its contacts with several private companies interested in the commercial development of Ontario's large peat deposits, which, depending on future energy prices, may become attractive as a fuel source. While no investment decisions have been taken, the Corporation continues to work closely with the Ministries of Energy, Natural Resources, and Northern Affairs in studying possible energy applications of peat as well as the regulatory and development framework appropriate to this resource.



## Review of Operations



### Ontario Alternate Energy Limited

While promoting the development of secure oil and gas supplies to meet Ontario's current and future needs, the Corporation is committed to promoting the development of alternative energy forms from the province's indigenous resources. Through Ontario Alternate Energy Ltd., this effort is focused on the pro-

duction of energy from waste and the development of alternative fuels for transportation.

### Energy from Waste

The Corporation continued during the year to pursue projects designed to help achieve the target established by the Ministry of Energy: to have 3.8 per cent of Ontario's energy needs in 1955 – the equivalent of 8.5 million barrels of oil a year – met from

municipal solid waste, forest mill residue, and industrial by-product heat recovery.

An Environmental Assessment Report on the Nordfibre EFW project in North Bay was submitted to the Ministry of the Environment for review and approval. The Corporation continued to assess its participation in the project and to establish project financing.

Progress on the proposed Commissioners Street Incinerator Waste Recovery Project in Toronto was held up following a change of ownership of the paperboard mill which had been identified as the potential customer





engineering progressed during the year, and the installation of the generator was expected to be completed for start-up in mid-1982.

## Alternative Fuels

As part of the Province's overall conservation and oil substitution program announced in 1980, an Alternative Fuel Supply Development (AFSD) Program is being developed by the Ministry of Energy with the Corporation designated as the systems contractor for all but farm-scale units. To achieve the goal of alcohol fuel use readiness by 1986, the Corporation and the Ministry of Energy have agreed in principle on a 5-year work program with three priorities: assessment of the role of alcohol fuels in displacing petroleum as a transportation fuel; demonstration of an integrated process for the production of ethanol from wood; and demonstration of the production of a suitable synthesis gas and transportation grade methanol using methanol and a feedstock indigenous to Ontario. A detailed agreement is expected to be concluded early in 1982.

During the year, Ontario Alternate Energy Ltd., the Corporation's operating subsidiary in this area, signed an agreement with Weston Energy Resources Ltd. and George Weston Ltd. to invest \$4.7 million over three years to develop, test, and produce ethanol from wood biomass. A pilot plant is to be completed by 1983, utilizing a novel fermentation process to achieve more rapid production and higher-grade yields of alcohol. Discussions continued with a number of other private companies on possible joint ventures.

## Electrical Generation at SWARU

In March 1981 the Corporation signed a formal agreement with Tricil Ltd. of Mississauga to develop electrical generating capacity to be added to the refuse-burning plant (SWARU) of the Regional Municipality of Hamilton-Wentworth. Previous feasibility studies had established that a 4 megawatt turbine generator could function simultaneously with the incinerator and produce the equivalent of 800,000 gallons of fuel oil a year, enough to heat 1,300 homes. Project

or the steam energy to be generated. The new owner commissioned a risk analysis study of the proposal and undertook discussions with Metro Toronto on it. At year's end, the Corporation was waiting the outcome of these developments.

In December 1981 a joint venture agreement was signed between the Corporation, Anertech Inc., and Omnifuel Gasification Systems Ltd. to develop and market commercial gasification systems using forest biomass to produce energy for heating or for driving diesel engines or as a feedstock for methanol production. Work will continue in 1982 to develop additional markets for such systems.



## Review of Operations

### Ontario PowerShare Limited

Co-generation and by-product heat generation are two methods by which Ontario can make more efficient use



### Bruce Energy Centre

During 1981, the Corporation along with six private sector partners, moved to establish the Bruce Energy Centre Development Corporation (BECDEVCO) which would be responsible for developing, marketing, and managing the commercial sale, for agriculture and industry, of surplus steam generated by the

of indigenous energy sources and thus reduce its dependence on non-renewable energy. This is the thrust of Ontario PowerShare Ltd., whose efforts have been devoted on the development of the Bruce Energy Centre.



ruce Nuclear Power Development (BNPD). The seven companies had been involved in the Bruce AgriPark joint venture since 1979. The corporation's projected share of BECDEVCO equity is 50 per cent.

The Corporation's subsidiary, Ontario PowerShare Ltd., reached agreement with Ontario Hydro for an initial supply of 250,000 pounds per hour of steam. The exclusive rights to a further 3.2 million pounds per hour are being negotiated. Ultimately, it is expected the BNPD could produce 10 million pounds of steam per hour, the equivalent of 40,000 barrels of oil per day.

Financial and market analyses completed during

the year confirmed that the Bruce Energy Centre could be a viable project on a commercial basis. Land for the first stage of the development was purchased, and additional land was optioned for subsequent development. Negotiations proceeded with the Centre's first major industrial customer, and discussions were held with several other potential users. A prototype greenhouse, operated since 1979 to establish the feasibility of using nuclear-generated steam as an energy source for year-round agriculture, completed its third successful year of operation, and plans were made to replace it with a commercial greenhouse operation as part of the first stage of development.

A draft Impact Study, prepared by Acres Consulting Services to show the project's anticipated economic, social, and environmental impact on the surrounding area, was released in early December. It indicated that the Centre could create up to 3,000 jobs, provide opportunities for local businessmen to service the development, generate additional revenues for local governments, and result in no adverse environmental impact on the region. After two months of discussion of the draft study with local governments and residents, the report is to be finalized early in 1982 and submitted to the government.

A Harbour Feasibility Study to provide a needed water transportation connection to the project was initiated by the Province in co-operation with Transport Canada and Public Works Canada. Proposals were called leading to the selection of a consultant in February 1982 and submission of a report by mid-1982.

During the year construction was begun by Ontario

Hydro on Stage 1 of a 24-inch pipeline to transport steam from the generating station to the site; completion is scheduled for October 1982.

## Energreen

During the year Ontario PowerShare Ltd. agreed to enter into a joint venture with Energreen Enterprises Inc. to grow tree seedlings under contract to the Ministry of Natural Resources in greenhouses heated by waste energy from TransCanada PipeLines Company's compressor station near Ramore, Ontario. Contracts are to be finalized early in 1982.

## Co-generation

Contracts were signed with Ontario Hydro under which the Corporation will contribute financially, with Hydro and the Ministry of Energy, to the Ontario Hydro Industrial Co-generation Feasibility Studies Program to identify co-generation opportunities within provincial industry. No investment decisions have resulted to date. Proposals were evaluated involving the use of effluent cooling water from nuclear generating stations to moderate temperatures in trout rearing tanks, the refurbishment of mini-hydro-electric sites, and the burning of wood waste for co-generation.



## Review of Operations

### Ontario Energy in Transportation Limited

Fully half of Ontario's consumption of petroleum is accounted for by the transportation sector, 35 per cent of it by private automobiles. If the use of various modes of public transit could be increased by 30 per cent,

Ontario could save as much as 3 million barrels of oil a year. Through its subsidiary, Ontario Energy in Transportation Ltd., the Corporation is working actively toward that objective. Further worthwhile progress was made in 1981.

### Commercial Van Pooling

The operations of Ontario Van Pool Organization Ltd. (OVPO) formed a year earlier to encourage the use of vans instead of private cars to transport employees to and from the workplace, were expanded during the year. Twelve more vans were put into service, raising the number in service to 30. A total fleet of 35 vans is





ities of Toronto and Ottawa, new services were added at the Denison Mines site at Elliot Lake. A survey of riders confirmed that 83 per cent recommended the service as an efficient alternative to the private automobile.

### Computerized Transit Systems

Similar success was achieved in marketing the Teleride computerized transit system, which uses a "talking" computer to provide up-to-the-minute scheduling and routing information to prospective passengers. The system, a joint venture between the Corporation and Teleride Corporation Ltd. of Toronto, completed its first significant United States sale in Columbus, Ohio, making it the

only proven product of its kind in use in the United States. Other smaller contracts were signed in San Francisco, New York City, Kitchener-Waterloo, Hamilton, and Winnipeg, and a bilingual system, installed a year earlier in Ottawa, was expanded.

In a complementary effort to market computerized systems to assist transit managers rather than passengers, the Corporation joined in August with SAGE Management Consultants Limited of Toronto to form SAGE Transportation Management Systems Limited. Ontario Energy in Transportation is an equal partner in the company,

having advanced it \$400,000 by way of cash debenture with a commitment to advance up to a further \$600,000. The company offers both hardware and software systems to improve transit scheduling, operations, maintenance, and administration.

During the year Ontario Energy in Transportation also evaluated a number of proposed projects involving electric vehicles, Ontario/Canadian manufacture of propane carburation and universal alternative fuels carburation equipment. No final investment decisions were taken on these proposals.

anned. The number of regular riders rose to more than 330, one-third of them employees of the provincial government and the remainder employees of the federal government, Ontario Hydro, and private firms.

In addition to previous van pool operations in the vicin-



Operated by  
Ontario Van Pool  
Organization Ltd.

**Ontario Energy  
Corporation  
Consolidated  
Balance Sheet**  
December 31, 1981

<b>Assets</b>	<b>1981</b>	<b>1980</b>
<b>Current Assets</b>		
Cash, short-term deposits and accrued interest	\$ 22,840,915	\$27,209,641
Accounts receivable	74,441	39,600
Due from affiliated companies	164,683	513,380
Due from Treasurer of Ontario	656,396	
	<b>23,736,435</b>	<b>27,762,621</b>
<b>Investments (Note 2)</b>		
Suncor Inc.	647,268,726	
Polar Gas	16,199,929	15,008,220
Other	5,678,578	1,376,600
	<b>669,147,233</b>	<b>16,384,820</b>
<b>Deferred Project Expenditures</b>	<b>350,057</b>	<b>172,200</b>
<b>Furniture, Equipment and Leasehold Improvements</b>	<b>196,310</b>	<b>51,980</b>
<b>Total Assets</b>	<b>\$693,430,035</b>	<b>\$44,371,721</b>



<b>Liabilities</b>	1981	1980
<b>Current Liabilities</b>		
Accounts payable and accrued charges	\$ 1,587,247	\$ 2,693,242
Current portion of long-term debt	16,325,000	75,000
	17,912,247	2,768,242
<b>Long-term Debt (Note 3)</b>	634,312,500	637,500
<b>Total Liabilities</b>	652,224,747	3,405,742
<b>Shareholders' Equity</b>		
<b>Share Capital</b>		
Authorized		
2,000,000 common shares		
with no par value		
20,000,000 non-voting special shares		
with no par value		
issued and fully paid		
2,000,000 common shares	100,000,000	100,000,000
less		
1,700,000 common shares		
held in treasury – at cost	(85,000,000)	(85,000,000)
<b>Retained Earnings</b>	26,205,288	25,966,013
<b>Total Shareholders' Equity</b>	41,205,288	40,966,013
<b>Total Liabilities and Shareholders' Equity</b>	\$693,430,035	\$ 44,371,755

Approved by the Board:

*Calvin Rowan*

Director

*B. Hitchens*

Director

**Ontario Energy  
Corporation  
Consolidated  
Statement of  
Income and  
Retained Earnings**

Year ended  
December 31, 1981

	1981	1980
Interest Income	\$ 4,581,674	\$ 3,569,500
Additional Costs on sale of participation in Syncrude Project (Note 4)	(14,906)	(2,500,000)
	4,566,768	1,069,500
<b>Expenses</b>		
General and administrative expenses	2,028,547	808,900
Interest and bank charges, including interest on long-term debt of \$1,115,813 (1980 - \$76,055)	1,126,211	76,900
	3,154,758	885,800
Income before Equity Adjustment	1,412,010	183,500
Equity Adjustment in Projects	(1,172,735)	
Net Income	239,275	183,500
Retained Earnings, beginning of year	25,966,013	25,782,400
Retained Earnings, end of year	\$26,205,288	\$25,966,000



**Ontario Energy  
Corporation  
Consolidated  
Statement of  
Changes in  
Financial Position**

Year ended  
December 31, 1981

	1981	1980
<b>Sources of Working Capital</b>		
Operations		
Income before equity adjustment	\$ 1,412,010	\$ 183,568
Item not affecting working capital		
– depreciation	31,431	9,007
	1,443,441	192,575
Notes due to Sun Company, Inc.	325,000,000	—
Loan from Treasurer of Ontario	325,000,000	712,500
	651,443,441	905,075
<b>Uses of Working Capital</b>		
Suncor Inc. investment	647,268,726	—
Polar Gas investment	1,191,709	1,765,323
Other investments	5,474,645	1,290,852
Deferred project expenditures	177,853	94,172
Furniture, equipment and leasehold improvements	175,752	27,215
Current portion of long-term debt	16,325,000	75,000
	670,613,685	3,252,562
<b>Decrease in Working Capital</b>	19,170,244	2,347,487
<b>Working Capital, beginning of year</b>	24,994,432	27,341,919
<b>Working Capital, end of year</b>	\$ 5,824,188	\$24,994,432

# Ontario Energy Corporation Notes to the Consolidated Financial Statements December 31, 1981

## 1. Significant Accounting Policies

### Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned direct subsidiaries which are: Ontario Alternate Energy Ltd. Ontario Energy In Transport Ltd. Ontario Energy Resources Ltd. Ontario PowerShare Ltd.

### Investments

Investments are accounted for using the equity method. The purchase price paid by the Corporation includes, in addition to its share of the net book value of Suncor Inc., \$384,800,000 which relates primarily to oil sands and conventional oil and gas reserves and will be amortized over their estimated lives. The interest on funds borrowed to finance the purchase of the

Suncor shares will be capitalized to the extent it relates to the purchase price of Suncor's undeveloped oil and gas properties.

### Deferred project expenditures

Charges for services received in connection with continuing projects being investigated are initially reflected as deferred project expenditures. When an investment is made, the accumulated deferred project expenditures are treated in accordance with the applicable agreements. When management decides not to pursue a project the deferred project expenditures are charged to expense.

### Furniture, equipment and leasehold improvements

Furniture, equipment and

leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight line method over a period of sixty months. Leasehold improvements are stated at cost and are amortized over the terms of the leases.

### Income taxes

The Corporation is not subject to income taxes so long as not less than 90% of its outstanding shares are held directly or indirectly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.

### Pensions

Pension costs are charged to earnings on a current basis.

## 2. Investments

### Suncor Inc.

The Corporation purchased approximately 24.87% of the outstanding shares of Suncor Inc. from Sun Company, Inc. on December 23, 1981. No equity adjustment has been made with respect to the period from December 23 to 31, 1981. On February 19, 1982, the Corporation offered to purchase for \$51.26 each the 69,885 shares of Suncor Inc. not already owned by the Corporation or Sun Company, Inc.

### Polar Gas

The Corporation is one of five continuing participants, four of whom are presently providing funds, in the Polar Gas Project and accordingly bears 25% of the ongoing research costs and 33⅓% of costs related to the application for regulatory approval. The purpose of the project is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from areas in the Canadian Arctic to southern markets.

In the event a company is formed to build and operate transmission facilities, each participant's interest is convertible into equity or debt of such company. Alternatively,

under certain circumstances each participant's interest may be repaid.

### Other

The Corporation has invested in energy related projects of various types, many of which are in the developmental stage, and has made further commitments towards these projects aggregating approximately \$2,400,000. In addition the Corporation is required to spend a further \$3,900,000 by September 30, 1983 to maintain certain project exploration rights.



### 3. Long-Term Debt

	1981	1980
Loan from Treasurer of Ontario	\$ 637,500	\$712,500
Notes due to Sun Company, Inc.	325,000,000	—
Due to Treasurer of Ontario	325,000,000	—
	650,637,500	712,500
Less portion due within one year	16,325,000	75,000
	\$634,312,500	\$637,500

The loan from the Treasurer of Ontario bears interest at 3.75% and is repayable in semi-annual instalments of \$37,500. The notes due to the Sun Company, Inc. are payable in 20 semi-annual instalments commencing on June 15, 1982 of \$8,125,000

for each of the first 10 instalments and \$24,375,000 for each of the remaining 10 instalments. Interest is payable semi-annually at the rate of 14.357%. The Treasurer of Ontario has stated that it is the intention of the Government of Ontario to ensure the Corpo-

ration has sufficient funds to pay the notes. The amount due to the Treasurer of Ontario is a non-interest bearing demand loan. It is not the intention of the Treasurer of Ontario to demand payment of the loan in the forthcoming year.

### 4. Sale of Participation in Syncrude Project

The Corporation sold its participation in the Syncrude project in 1978 subject to the final adjustment of the amount

due to the purchaser by the Corporation. The Corporation had provided for estimated additional costs of \$2,500,000

in 1980. The actual amount of the final settlement was \$2,514,906.

### 5. Remuneration of Directors and Senior Officers

Of the directors of the Corporation, six are not employees and receive director's fees. The Corporation employs six

senior officers as defined in The Business Corporations Act, Ontario. The aggregate remuneration paid or payable for the year by the Corporation and its subsidiaries to its directors and senior officers,

amounted to \$315,723. The salary of an officer of the Corporation was paid by the Province of Ontario.



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## ONTARIO ENERGY CORPORATION ANNUAL REPORT 1982.

**T**he long-term energy outlook remains unchanged. Canada is not yet self-sufficient in oil, and our future energy security requires significant investment in oil exploration and in new energy technologies. Throughout 1982, the Ontario Energy Corporation continued to invest in both these areas, achieving important energy and economic benefits for the people of Ontario.

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## SUMMARY

The Ontario Energy Corporation (OEC) was established by the Government of Ontario in 1975 to implement Government energy policies through investment in energy ventures.

The Corporation invests in new energy technologies, and in energy exploration, primarily with private sector partners.

Following is a partial list of OEC investments since 1975, which demonstrate the Corporation's innovative approach, leadership and catalytic involvement with private sector investors.

- Participation in the establishment of Canada's second commercial oil-sands plant (Syncrude);
- Development of a demonstration project (Bio-hol) to convert wood residues into fuel-grade ethanol;
- Involvement in the marketing of an innovative application of advanced computer technology to increase public ridership (Teleride);
- Establishment of the first van pool fleet in Canada operating near market prices (Ontario Van Pool Organization);

- Canadianization of Suncor's frontier lands, and the initiation of a \$220 million frontier exploration program (Trillium);
- Production of electricity for the first time in Canada from the burning of municipal waste (Hamilton Electric Turbine Generator);
- Development and testing of a new controlled pressure induction fuel delivery system, capable of using alternative fuels (Selachii);
- Establishment of the first commercial greenhouse complex in Ontario heated by waste heat from a natural gas compressor station (Energreen);
- Exploration for petroleum in the largest area in Canada ever authorized (Hudson Bay);
- Development of the world's most efficient large-scale gasification technology based on biomass feedstock (Omnifuel).

## 1982 HIGHLIGHTS

The year saw exciting new developments, both in exploration and in new energy technologies, among the OEC's investments.

- *Suncor*, alone and in partnership with the OEC, announced it would invest nearly \$1 billion in oil supply and conservation projects.
- *The Trillium Exploration Corporation*, a joint enterprise of the Ontario Energy Corporation and Suncor, was established, and will invest \$220 million in frontier exploration over the next five years. Trillium participated in three exploratory wells off the Labrador coast.
- *The Hamilton Electric Turbine Generator* began producing electricity from the burning of municipal waste.
- *Selachii International* began development of a fuel-saving alternative to conventional carburetors, in partnership with the OEC.

- *The Hudson Bay Exploration Joint Venture* completed a 5 000 km (3,100 miles) seismic survey.
- *Onexco Minerals* drilled 18 wells in the James Bay Lowlands and encountered a number of new lignite occurrences.
- *The OEC* completed a preliminary investigation of Ontario's oil shale potential.
- A *wood-to-ethanol contract* was signed with the Ministry of Energy to demonstrate the feasibility of producing ethanol from wood waste.
- A *methanol contract* was signed with the Ministry of Energy to assess production technologies and to carry out road trials.

## OBJECTIVES

The Ontario Energy Corporation invests in or otherwise participates in energy projects. The Corporation is a unique combination of public and private enterprise, operating like a private investment company within policy parameters established by the Government of Ontario. The OEC finances its own administrative costs, and is responsible to an independent Board of Directors. The Minister of Energy is the sole shareholder.

## MANDATE FROM GOVERNMENT

The Act which created the Ontario Energy Corporation defines its mandate in precise terms:

"To invest or otherwise participate in energy projects throughout Canada, or elsewhere, to:

- Enhance the availability of energy in Ontario;
- Stimulate exploration for and the development of sources of energy;
- Stimulate expansion of the capability to produce energy;
- Encourage investment in energy projects and the effective use of financial, human and other resources in energy projects;
- Encourage the development of processes and equipment that will avoid the wasteful use of energy, and that will minimize harm to the environment."

## CORPORATE MISSION

To assist Government in the pursuit of a more secure energy future for Ontario through a dual strategy of participation in a variety of innovative, catalytic, leadership energy activities supported by profitable investment positions in selected energy ventures.

## INVESTMENT CRITERIA

The Corporation considers participation in energy projects which:

- Are compatible with the Corporation's objectives and mission;
- Allow an interest in tangible assets or other commercial property;
- Involve an investment or financing role rather than an operating role;
- Do not require a subsidy or grant from the Corporation;
- Are compatible with the energy policy of the Ontario Government.



The Corporation and its subsidiaries made considerable progress during 1982. In a variety of ways the OEC's investments helped bring energy and employment-related benefits to the people of Ontario.

The Corporation received financial assistance in 1982 of some \$45 million from the Government of Ontario in connection with the payment of interest on the Sun Co. notes.

The financial statements also reflect an accounting loss of some \$5 million due to equity adjustments in some of the Corporation's energy technology investments. Given the developmental nature of many of these investments, this is not unusual during the start-up phase of companies producing and marketing innovative technologies.

By far the largest equity adjustment is related to the anticipated sale of the Bruce Energy Centre Development Corporation (BECDEVCO) to Ontario Hydro.

### Energy Technology Investments

On the "technology" side of our activities, the *Hamilton Electric Turbine Generator* began producing electricity; the first facility in Canada to use municipal waste as a source of electricity. At Ramore, near Timmins, our investment in *Energreen* is also putting waste to work. There, tree seedlings are grown in a greenhouse warmed by exhaust gases from a nearby natural gas pipeline compressor station.

Contracts have been signed with the Ministry of Energy to study and evaluate the use of alcohol fuels in transportation. *Bio-hol*, an OEC investment, is developing a biotechnological process for the production of alcohol from sawdust and other forest industry waste.

During 1982 we signed an agreement with *Selachii* for the development and marketing of a unique Canadian invention, a controlled pressure induction system which, compared with conventional carburetors, will reduce fuel consumption and allow the use of gasoline/alcohol mixtures in internal combustion engines.



### Energy Resources Investments

*Suncor*, during the year, announced almost \$1 billion in investment activity, alone or in partnership with us. A \$335 million two-year upgrading program at the Sarnia refinery will reduce by one-third the amount of crude oil used there, and is now providing work for Ontario construction and manufacturing companies. *Suncor* is also investing a total of \$443 million in improvements at its Fort McMurray oil sands mine and plant, and at its Fort Kent heavy oil project.

In September we announced, with *Suncor*, the formation of *Trillium Exploration Corporation*, which plans to invest approximately \$220 million in frontier exploration during the next five years. The establishment of *Trillium* further emphasizes the importance which the OEC attaches to exploration. Through *Trillium* we participated in three exploratory wells off the Labrador coast during 1982.

Our *Southwestern Ontario Exploration Joint Venture* also had a measure of success when the exploratory well drilled in June indicated hydrocarbon potential on the lands controlled by the group.

In the *James Bay Lowlands*, where the OEC is exploring for lignite, 18 wells were drilled and several new lignite occurrences discovered.

A preliminary study of oil shale in Ontario was completed in 1982, and concluded that this resource has potential, and deserves more extensive investigation.

Our *Hudson Bay Exploration Joint Venture* completed its first 5 000 km (3,100 miles) seismic survey, and is planning a second survey for 1983.

In 1982 *Polar Gas* participants initiated a major review of the project in light of changing market demands for natural gas in the 1990's. Decisions with respect to that review are expected in the new year.

Negotiations began with Ontario Hydro for the sale of one of our first investments in energy technology, the *Bruce Energy Centre Development Corporation*, which, as the *Bruce AgriPark Joint Venture*, dates back to 1979. The sale is expected to be made in early 1983.

The Corporation invested a further \$16.8 million during 1982. Existing ventures accounted for \$10 million, the balance represents investments in new ventures.

### Energy Security: Still A Priority

1982 was a year of substantial change in the public perception of Canada's energy future. Reduced demand and plentiful supplies lowered the priorities which the public and policy-makers place on energy-related concerns.

Yet the problem of oil supply has not gone away. Despite the high level of exploration activity in North America during the 1970's, the world's oil reserves are even more concentrated in a handful of producing areas—Saudi Arabia, Kuwait, Abu Dhabi, Iran, the U.S.S.R. and Mexico—than they were ten years ago.

Oil prices, while softer than they have been, are still high. Forecasts for the future vary. However, one widely-held view is that oil prices will fall and that they will not regain their current levels through 1984, that after 1984 prices will increase at the rate of inflation through 1989, and that from then onwards there will be a real price increase of from one to two per cent a year.

It is also necessary to consider the changing patterns of energy use. For example, many industrial consumers have improved the efficiency of their operations. Even with full recovery from the present recession, their energy consumption is unlikely to return to previous levels.

The key issue for Canada is: can this country maintain its policy of oil self-sufficiency by 1990 with all of the attendant incentives and price levels regardless of changes on the international crude oil scene? If not, what changes to that policy will be made to Canada's energy goals and programs?

Canada cannot afford to depend on foreign oil. Yet Canadian oil is relatively expensive. The dilemma we face is whether we want to achieve domestic security of oil supply, at a price, or continue to rely on the uncertainties of the international market.

Security of energy supply is a highly desirable goal for Canada, and a realistic one. To attain it, exploration for new energy resources and the development of new technologies must continue to be national priorities.

### The Years Ahead

Over the next five years, the Corporation expects to make substan-

tial investments both in energy exploration and in technology.

The goal is to continue to invest with the private sector in energy ventures which enhance Canada's security of energy supply.

### Changes to the Board

It was with regret that the Board accepted the resignation of Mr. Rendall Dick on his appointment as Deputy Attorney General for Ontario. The Board expresses appreciation to Mr. Dick for his advice and guidance.

At the same time, the Board was honoured by the appointment of three distinguished new members: Mr. Pierre Genest, Mr. Gerald Nori and Mrs. Mary Theresa McLeod.

During the year, the Corporation completed a review of its objectives, strategy and structure. As a consequence, a number of organizational changes were made, resulting in a 25 per cent reduction in staff and a 33 per cent reduction in the operating budget.

Respectfully submitted on behalf of the Board,

*Malcolm Rowan*

Malcolm Rowan,  
President and  
Chief Executive Officer

### BOARD OF DIRECTORS

David L. Campbell  
President, David L. Campbell  
Ltd., Consultant

Pierre Genest, QC\*  
Senior Partner, Cassels, Brock,  
Barristers and Solicitors

George C. Hitchman†  
Corporate Director,  
The Bank of Nova Scotia

W. Edwin Jarman\*†  
President,  
Jarman Communications Inc.

M. Theresa McLeod  
Vice President and Director,  
Pitfield McKay Ross Limited

David Melnik, QC  
President and Chief Executive  
Officer, Vanguard Trust

Gerald E. Nori, QC  
Partner, Wishart, Noble,  
Barristers and Solicitors

Malcolm Rowan\*  
President and  
Chief Executive Officer,  
Ontario Energy Corporation

D. Blair Tully  
Secretary, Board of Industrial  
Leadership and Development

\*Also a Director of Suncor  
†Audit Committee

### Officers of the Corporation

W. Edwin Jarman  
Chairman

Malcolm Rowan  
President and  
Chief Executive Officer

Peter Szego  
Vice-President,  
Corporate Development and  
Treasurer, Pro Tempore

Douglas A. Taylor  
Vice-President,  
Energy Investments

Robert Law, QC  
Corporate Counsel  
and Secretary

Janet C. McNally  
Assistant Secretary

### Auditor

Deloitte Haskins and Sells

### ROSS A. HENNIGAR

The death in January 1983 of Ross Hennigar, the first President of Suncor, was a tragic loss to Canada, to Suncor, and to everyone who knew him.

Ross Hennigar was a respected and highly regarded leader in Canada's oil industry. He advanced not only the interests of the industry, but equally the interests of Canada.

We at the OEC are proud to have known him, and mourn his passing.

ONTARIO ENERGY CORPORATION:  
INVESTMENTS

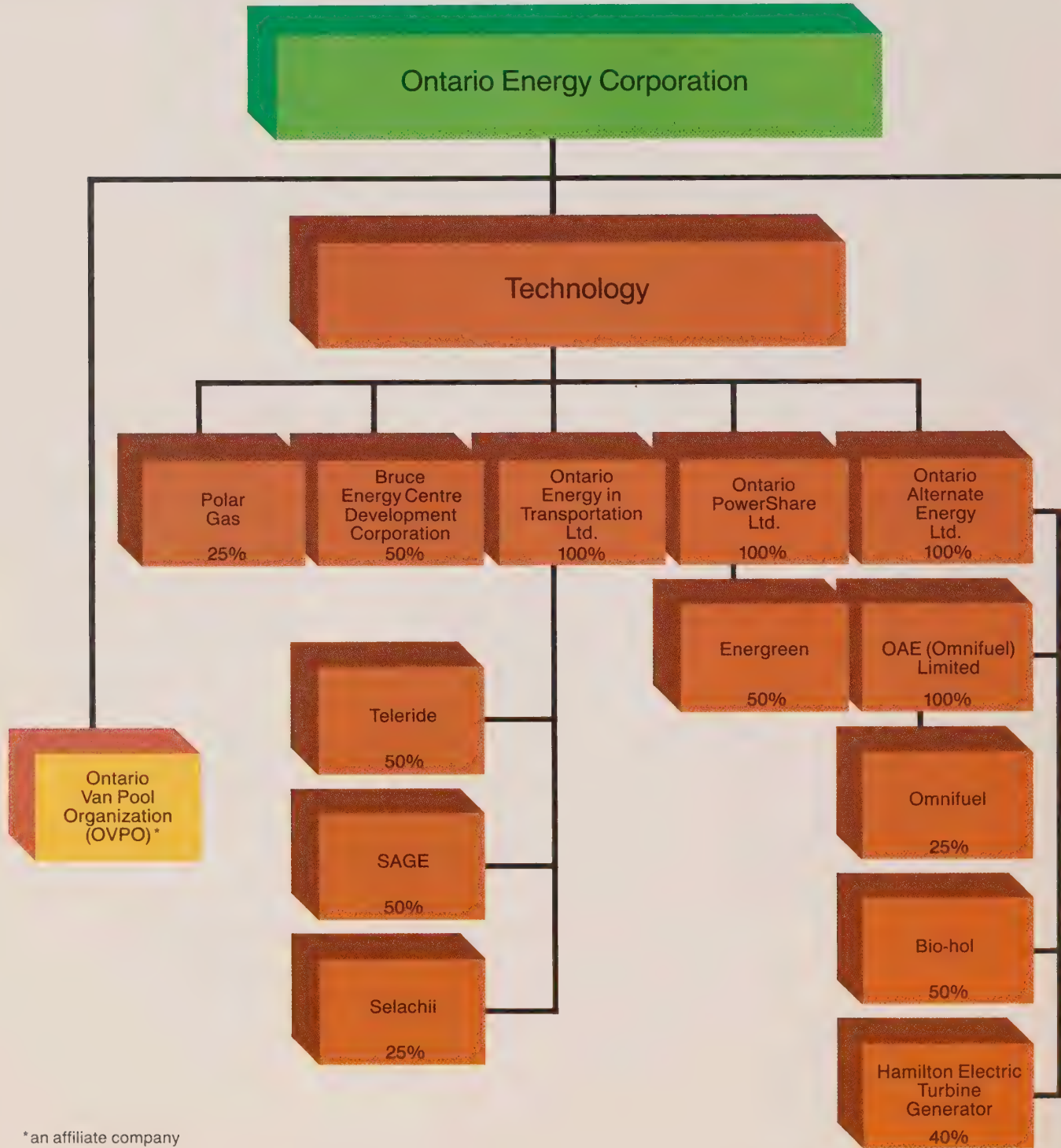
The Ontario Energy Corporation is essentially an investment company. In terms of people, the OEC is small, with about 24 full-time staff. The Corporation's goal is to work with private sector enterprises, not to displace them, providing qualities of leadership and innovation which will help make energy security a reality for the people of Ontario. All but two of the Corporation's 15 investments are in partnership with private companies.

Because of the emphasis placed on leadership and innovation, the OEC investments tend to be in areas of higher risk. Nevertheless, the Corporation, like any private sector company, aims to have more winners than losers.

**Investments Through Subsidiaries**

The OEC has established the following six subsidiary companies through which most of its investments are managed:

*Ontario Energy in Transportation Ltd.* is active in the development and management of projects involving the efficient use of energy in transportation. *Ontario PowerShare Ltd.* is active in projects maximizing energy efficiency through co-generation and by-product heat use, such as steam produced by nuclear power. The steam can be used both for the generation of electricity and for industrial and agricultural purposes.



\*an affiliate company

*Ontario Alternate Energy Ltd.* is a participant in commercially attractive projects which explore creative alternatives to conventional sources of energy. For purposes of its investment in Omnifuel Gasification Systems Ltd., this company has a wholly-owned subsidiary, OAE (Omnifuel) Ltd.

*Ontario Energy Resources Ltd.* is a holding company for the Corporation's 25 per cent interest in Suncor Inc.

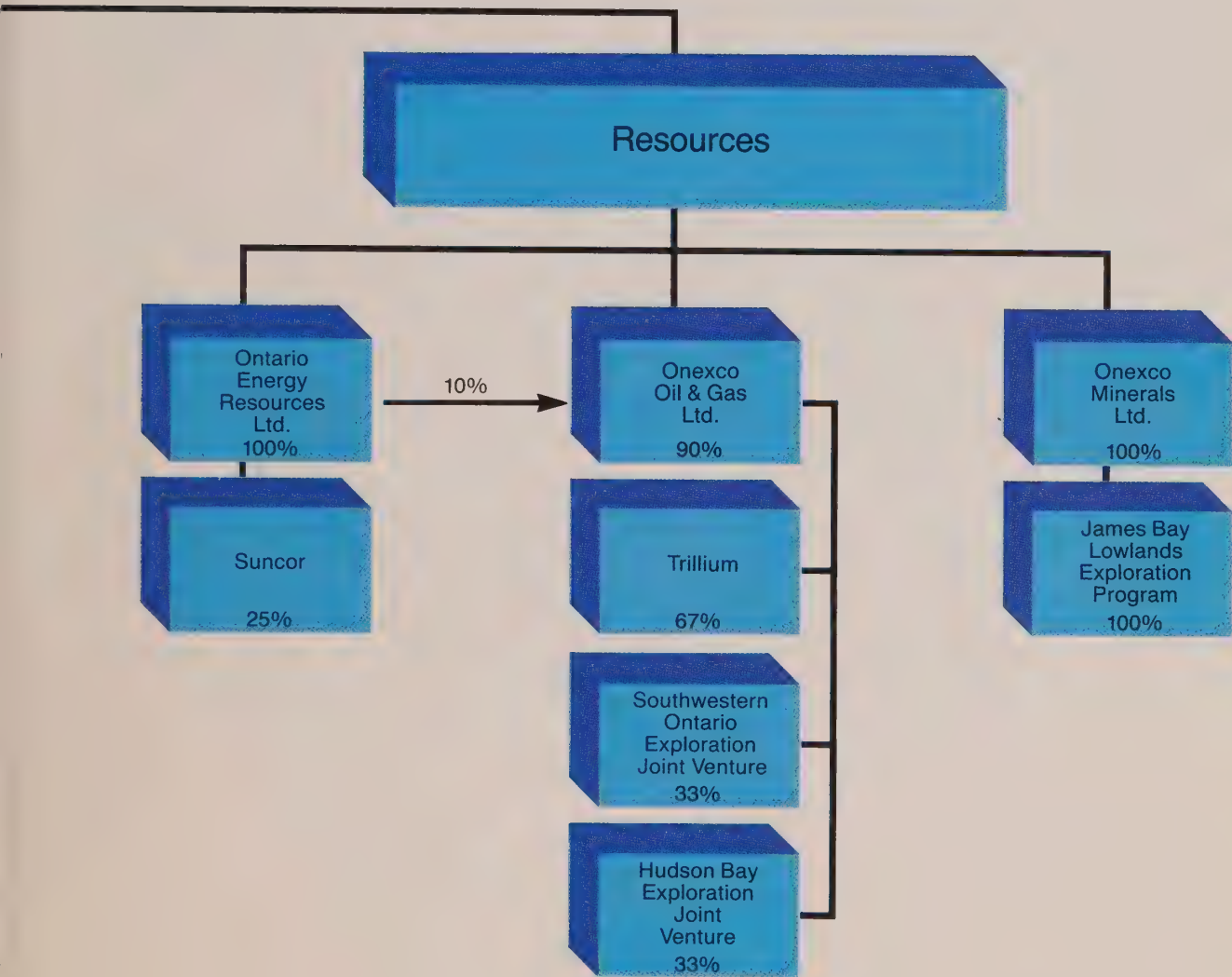
*Onexco Oil & Gas Ltd.* is a taxable company, owned 90 per cent by the OEC and ten per cent by Ontario Energy Resources Ltd. Onexco invests in ventures which explore for and develop oil and natural gas throughout Ontario and Canada.

*Onexco Minerals Ltd.* is involved in energy minerals exploration.

**Direct Investments**

Three investments are not managed through subsidiaries, but are

directly funded by the Corporation. They are *Polar Gas*, *Bruce Energy Centre Development Corporation (BECDEVCO)* and *Ontario Van Pool Organization (OVPO)*, an affiliate company.



ONTARIO ENERGY CORPORATION:  
PERFORMANCE

The Ontario Government has established three broad policy approaches as its contribution to achieving crude oil self-sufficiency for Canada.

- 1. *Oil and Gas Supply:* Improving supplies of oil and natural gas by discovering new resources and developing existing reserves.
- 2. *Conservation:* Encouraging economy in the use of all forms of energy, but especially those derived from oil.
- 3. *Substitution:* Encouraging the development and use of fuels other than oil.

Over the past eight years, the Corporation's investment strategy has changed in response to changes in the overall energy picture and in accordance with the Corporation's developing mandate. Nevertheless, all of its investments support one or more of these broad policy approaches.



Chronology of the Corporation's Portfolio.



Some OEC investments reach beyond the borders of the province.



The majority of OEC investments are located in Ontario.

- 1. Bruce Energy Centre Development Corporation
- 2. Teleride (Head Office)
- 3. SAGE
- 4. Selachii
- 5. Energreen
- 6. Omnifuel (Head Office)
- 7. Hamilton Electric Turbine Generator
- 8. Bio-hol
- 9. Suncor (Head Office)
- 10. Suncor (Refinery)
- 11. Southwestern Ontario Exploration Group
- 12. James Bay Lowlands Exploration Program

### **Preparation and Review of the Financial Statements**

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is responsible for the other information in the Annual Report, and is consistent, where applicable, with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditor at least twice each year to satisfy itself that management's responsibilities are properly being discharged and to review annually the financial statements.

The external auditor, Deloitte Haskins & Sells, conducts an independent examination, in accordance with generally accepted auditing standards, and expresses its opinion on the financial statements. The auditor's examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and procedures are made to provide reasonable assurance that the financial statements are presented fairly. The external auditor has full and free access to the Audit Committee of the Board. The Provincial Auditor has access to and reviews from time to time the working paper files of the external auditor.

### **AUDITOR'S REPORT**

To the Shareholder of Ontario Energy Corporation:

We have examined the consolidated balance sheet of Ontario Energy Corporation as at December 31, 1982 and the consolidated statements of loss and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Deloitte Haskins & Sells*

Chartered Accountants  
Toronto, Canada

March 11, 1983

**CONSOLIDATED STATEMENT OF LOSS AND RETAINED EARNINGS**  
**YEAR ENDED DECEMBER 31, 1982**

	1982	1981
<b>Interest Income</b>	<b>\$ 2,904,542</b>	<b>\$ 4,566,768</b>
<b>Expenses</b>		
General and administrative expenses	1,957,356	2,028,547
Interest and bank charges (Note 4)	1,008,772	1,126,211
	2,966,128	3,154,758
(Loss) income before equity adjustment	(61,586)	1,412,010
Equity adjustment in investments	(5,595,373)	(1,172,735)
(Loss) net income	(5,656,959)	239,275
Retained earnings, beginning of year	26,205,288	25,966,013
Retained earnings, end of year	<b>\$20,548,329</b>	<b>\$26,205,288</b>

**CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 1982**

	1982	1981
<b>Assets</b>		
<b>Current Assets</b>		
Cash, short-term deposits and accrued interest	\$ 13,054,569	\$ 22,840,915
Accounts receivable	33,847	74,441
Due from affiliated companies	41,674	164,683
Due from Treasurer of Ontario	—	656,396
	13,130,090	23,736,435
<b>Investments (Note 2)</b>		
Suncor Inc.	640,318,076	647,268,726
Trillium Exploration Corporation	6,113,012	—
Polar Gas	16,764,156	16,199,929
Other (Note 3)	6,757,936	5,678,578
Deferred project expenditures	253,469	350,057
Furniture, equipment and leasehold improvements	261,601	196,310
	<b>\$683,598,340</b>	<b>\$693,430,035</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued charges	\$ 2,369,534	\$ 1,587,247
Current portion of long-term debt (Note 4)	16,325,000	16,325,000
Due to Treasurer of Ontario	3,034,327	—
	21,728,861	17,912,247
<b>Long-Term Debt (Note 4)</b>	<b>617,987,500</b>	<b>634,312,500</b>
	<b>639,716,361</b>	<b>652,224,747</b>
<b>Shareholder's Equity</b>		
<b>Share Capital (Note 5)</b>	<b>23,333,650</b>	<b>15,000,000</b>
Retained earnings	20,548,329	26,205,288
	43,881,979	41,205,288
	<b>\$683,598,340</b>	<b>\$693,430,035</b>

Approved by the Board:

*Malcolm Rowan*

Malcolm Rowan, Director

*George Hitchman*

George Hitchman, Director

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**YEAR ENDED DECEMBER 31, 1982**

	1982	1981
<b>Sources of Working Capital</b>		
Operations		
(Loss) net income	\$ (5,656,959)	\$ 239,275
Suncor dividends	10,435,020	—
Items not affecting working capital		
Equity in earnings of investments	(9,600,627)	1,172,735
Amortization and depreciation		
Suncor	15,196,000	—
Other	124,841	31,431
Working capital provided by operations	10,498,275	1,443,441
Share capital	8,333,650	—
Notes due to Sun Company, Inc.	—	325,000,000
Loan from Treasurer of Ontario	—	325,000,000
	18,831,925	651,443,441
<b>Uses of Working Capital</b>		
Suncor investment	3,655,368	647,268,726
Trillium Exploration Corporation investment	6,113,012	—
Polar Gas investment	564,227	1,191,709
Other investments	6,503,731	5,474,645
Deferred project expenditures	(96,588)	177,853
Furniture, equipment and leasehold improvements	190,134	175,752
Reduction in long-term debt	16,325,000	16,325,000
	33,254,884	670,613,685
Decrease in Working Capital	(14,422,959)	(19,170,244)
Working Capital, beginning of year	5,824,188	24,994,432
Working Capital (deficiency), end of year	\$ (8,598,771)	\$ 5,824,188

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1982**

### **1. Significant Accounting Policies**

The Ontario Energy Corporation invests in, or otherwise participates in, energy projects throughout Canada with a view to enhancing the availability of energy in Ontario. The Corporation's involvement in its investments is in a financing rather than an operating role.

#### **Basis of financial statement presentation**

The consolidated financial statements include the accounts of the Ontario Energy Corporation and its subsidiaries except Trillium Exploration Corporation. Trillium is accounted for using the equity method because consolidating the accounts would not be more informative. Other investments are also accounted for using the equity method.

Investments of the Corporation engaged in oil and gas exploration activities use the full cost method of accounting.

#### **Deferred project expenditures**

Charges for services received in connection with continuing projects being investigated are initially reflected as deferred project expenditures. When an investment is made, the accumulated deferred project expenditures are treated in accordance with the applicable agreements. When management decides not to pursue a project, the deferred project expenditures are charged to expense.

#### **Furniture, equipment and leasehold improvements**

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over a period of 60 months; leasehold improvements are amortized over the terms of the leases.

#### **Income taxes**

The Corporation and its wholly-owned direct subsidiaries and their wholly-owned direct subsidiaries are not subject to income tax so long as not less than 90% of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.

Onexco Oil & Gas Ltd., which is a wholly-owned indirect subsidiary of the Corporation and holds a two-thirds interest in Trillium Exploration Corporation and a one-third interest in the Hudson Bay Exploration Joint Venture, is subject to income taxes.

2. Investments

Suncor Inc.

The Corporation owns 25% of the shares of Suncor Inc. which is accounted for using the equity method. The difference between the cost of the shares and the underlying net book value of Suncor Inc., which relates primarily to oil and gas reserves, is being amortized using the unit-of-production method.

Summarized financial information of Suncor Inc. is as follows:

	1982	1981
	(in millions)	
Financial Position		
Working capital	\$ 173	\$ 196
Total assets	\$1,936	\$1,763
Shareholders' equity		
Preferred	\$ 12	\$ 19
Common	1,067	1,050
	\$1,079	\$1,069
Operations		
Revenue	\$1,551	\$1,321
Net income	\$ 60	\$ 50
Dividends on common shares	\$ 42	\$ 78

## 2. Investments (continued)

### Trillium Exploration Corporation

The Corporation has a two-thirds interest in Trillium which was formed in 1982 to explore for oil and gas in the frontier areas of Canada; Suncor Inc., which is owned 25% by the Corporation, owns the other one-third.

The following is a summary of Trillium's financial position as at December 31, 1982:

#### Assets

Current assets	\$ 7,614,492
Properties, plant and equipment	2,802,250
	<hr/> \$10,416,742

#### Liabilities

Accounts payable and accrued liabilities	\$1,013,245
Shareholder advances	
Suncor	3,346,846
Ontario Energy Corporation	6,056,591
	<hr/> 10,416,682

#### Shareholders' equity

60

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\$10,416,742

Trillium had no income or loss from operations for the period ended December 31, 1982 and because of its mandate to explore in the frontier no income or loss is expected for a number of years.

Trillium is eligible for maximum Petroleum Incentives Program grants of 80% of expenditures for the exploration for oil and gas in the frontier areas of Canada.

#### Polar Gas

The Corporation is one of five continuing participants in the Polar Gas Project, four of whom are presently providing funds, and accordingly bears 25% of the ongoing research costs and 33⅓% of costs related to the application for regulatory approval. The purpose of the project is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from areas in the Canadian Arctic to southern markets.

The Corporation is not obliged to continue to fund the project. Should it choose not to do so its investment would be retained but its degree of interest would be diluted.

In the event a company is formed to build and operate transmission facilities, the Corporation's interest would be convertible into equity or debt of such company. Alternatively, under certain circumstances the Corporation's investment may be repaid.

## 2. Investments (continued)

### Other

The Corporation has invested in energy related projects of various types, many of which are in the developmental stage, and has made further commitments towards these projects aggregating approximately \$2,200,000. In addition, the Corporation is required to spend a further \$4,000,000 by September 30, 1983 to maintain certain project exploration rights.

The Corporation has guaranteed, to the extent of \$758,500, the performance of an investee company.

## 3. Government Assistance

During 1982, the Corporation received government assistance from the following sources:

Government of Ontario assistance applied to reduce the interest expense on the notes due to Sun Company, Inc.	\$ 45,052,700
Government of Ontario funding of the costs of a project	\$ 1,329,876
Ontario Mineral Exploration Program grant applied to reduce the cost of other investments	161,325
Government of Canada Petroleum Incentives Program grant applied to reduce the cost of other investments	1,081,481
	\$ 2,572,682

## 4. Long-Term Debt

	1982	1981
Loan from Treasurer of Ontario	\$ 562,500	\$ 637,500
Notes due to Sun Company, Inc.	308,750,000	325,000,000
Due to Treasurer of Ontario	325,000,000	325,000,000
	634,312,500	650,637,500
Less portion due within one year	16,325,000	16,325,000
	\$617,987,500	\$634,312,500

The loan from the Treasurer of Ontario bears interest at 13.75% and is repayable in semi-annual instalments of \$37,500.

#### 4. Long-Term Debt (continued)

The notes due to the Sun Company, Inc. are payable in 20 semi-annual instalments, which commenced on June 15, 1982, of \$8,125,000 for each of the first ten instalments and \$24,375,000 for each of the remaining ten instalments. Interest is payable semi-annually at the rate of 14.357%. The Treasurer of Ontario has stated that it is the intention of the Government of Ontario to ensure the Corporation has sufficient funds to pay the notes.

The amount due to the Treasurer of Ontario is a non-interest-bearing demand loan. It is not the intention of the Treasurer of Ontario to demand payment of the loan in the forthcoming year.

Interest on long-term debt of \$46,052,471 was incurred during the year of which \$45,052,700 was recovered by way of assistance from the Government of Ontario (see Note 3).

#### 5. Share Capital

	1982	1981
<b>Share capital</b>		
Authorized		
2,000,000 common shares with no par value		
20,000,000 non-voting special shares with no par value		
Issued and fully paid		
2,000,000 common shares	\$100,000,000	\$100,000,000
Less		
1,533,327 (1981-1,700,000) common shares held in treasury, at cost	(76,666,350)	(85,000,000)
	<b>\$ 23,333,650</b>	<b>\$ 15,000,000</b>

During 1982, 166,673 shares held in treasury were resold for cash of \$8,333,650.

#### 6. Remuneration of Directors and Senior Officers

The aggregate remuneration paid or payable for the year by the Corporation and its subsidiaries to its directors and senior officers amounted to \$310,478. The salary of an officer of the Corporation was paid by the Province of Ontario.

ECONOMIC BENEFITS

Although the OEC's mandate is energy, OEC investments create jobs and stimulate manufacturing. As the maps show, OEC investments are active in many locations throughout the province, and elsewhere.

Two examples of employment resulting from the OEC's investments demonstrate how economic benefits can be achieved along with energy benefits.

Northern Ontario

Energreen, a greenhouse located at Ramore, is 50 per cent owned by the OEC. The greenhouse uses waste heat from a nearby natural gas pipeline compressor station to grow tree seedlings for reforestation projects. The company employs three full-time and some 50 part-time workers, and has brought welcome job opportunities to the area.

In 1983, production will increase to seven million seedlings, and it is hoped that the company's success will inspire similar enterprises in other parts of the province.

Also in Northern Ontario and in Hudson Bay, the Hudson Bay oil and gas exploration project and the James Bay Lowlands lignite project have created employment for 16 full-time workers and 44 part-timers.

The Suncor Hydrocracker:  
\$335 Million For Industry

After the OEC purchased 25 per cent of Suncor in 1981, that company announced its intention of investing \$335 million over a two-year period on a major upgrading of its refinery at Sarnia. The work involves construction of a hydrocracker complex which will cut the refinery's oil consumption by about 1 430 843 cubic metres (nine million barrels) a year, while maintaining the present output of transportation fuels. About 700 construction jobs are being created at the site. Equally important is the fact that about 90 per cent of the hydrocracker equipment and service contracts have been placed with Canadian suppliers, with a large proportion going to Ontario manufacturers and suppliers, thus creating work throughout the province.

Other OEC investments create work directly in exploration, construction, engineering, research and development; and indirectly

provide employment in a large number of manufacturing and support industries. It all adds up to an impressive total of man-hours, and a welcome boost for the Canadian economy.

THE GROWTH OF THE CORPORATION

During its eight years of operation the Corporation's assets have grown from \$100 million to almost \$700 million through a series of investments which have responded to the changing energy situation in Canada.

The Corporation's first investments were made in 1975, in the Syncrude Oil Sands and Polar Gas Projects.

The Syncrude investment was made in order to help ensure the construction of the Syncrude plant, whose future was then in doubt. The Ontario Government considered development of the Syncrude plant to be of major strategic importance to the people of Canada. The OEC held a five per cent interest in Syncrude, and invested over \$100 million in the project between 1975 and 1978. By 1978 Syncrude was operating successfully, and the Corporation sold its share for \$160 million, making a substantial profit. After re-paying the Government of Ontario's investment, with interest, the \$35 million profit was retained to provide funds for future activities.

The Polar Gas Project was established in 1972 to study the feasibility of bringing Arctic gas to southern markets. The OEC is one of five partners in this continuing enterprise and joined the project in mid-1975.

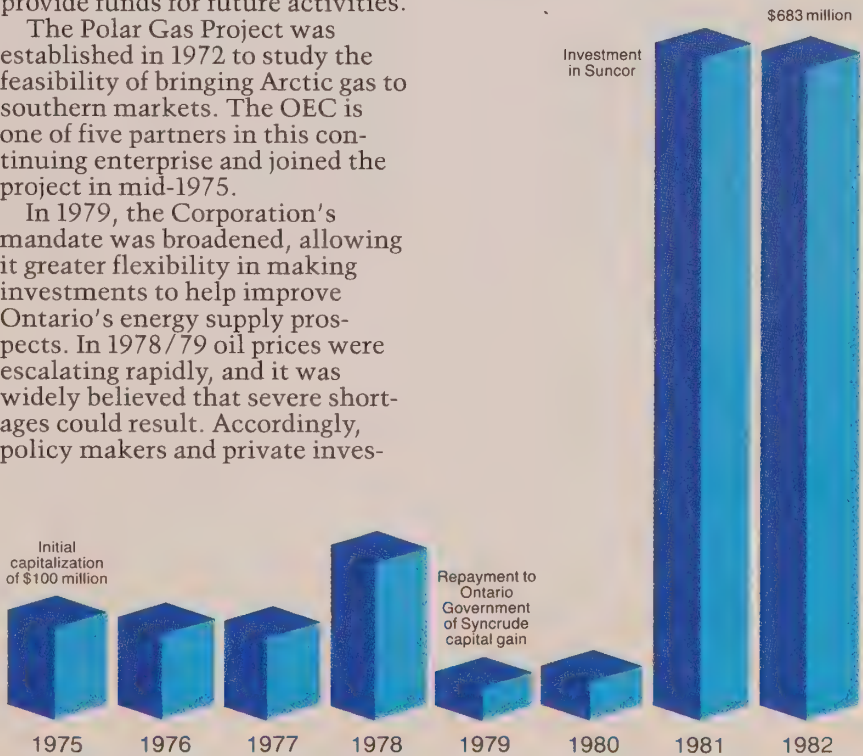
In 1979, the Corporation's mandate was broadened, allowing it greater flexibility in making investments to help improve Ontario's energy supply prospects. In 1978/79 oil prices were escalating rapidly, and it was widely believed that severe shortages could result. Accordingly, policy makers and private inves-

tors gave a high priority to the search for new oil reserves, to alternative fuels and energy technologies, and to conservation.

During this period, the OEC turned its attention to a wide range of investment opportunities. They include exploration for oil and gas, lignite, the development of alternative fuels, the use of municipal garbage as a fuel, applications for surplus heat from industrial processes, methods of conserving energy, and systems and devices which allow energy to be used more efficiently. At the same time, the Corporation subscribed to the goal of increasing the percentage of Canadian ownership and control of Canada's oil industry.

Today the public's perception of the oil price and supply situation has changed from that which was current in 1979. Oil prices are not rising and supply is plentiful. This condition, however, is unlikely to last long. The long-term oil price and supply outlook has not changed. Canada will continue to be vulnerable if it relies on external sources of oil supply.

Between 1979 and 1982 the Corporation made 14 new investments, among them the purchase of 25 per cent of Suncor and the establishment, with Suncor, of Trillium Exploration Corporation.



Growth in assets of the Corporation.

In 1982, the private sector's enthusiasm for investment in energy technology and the search for alternative fuels abated somewhat. This is understandable, as it is difficult to maintain concern for energy matters when oil is apparently in good supply and its price softening on world markets.

The long-term crude oil supply outlook, however, has not changed; and, during the year, the Corporation continued to make energy technology investments which will strengthen Ontario's energy future. Two new investment agreements, with Bio-hol and Selachii, were signed during 1982. In all, the Corporation had nine energy technology investments at the end of 1982, which included investments in the areas of natural gas, transportation, energy from waste, biomass, energy biotechnology, nuclear steam and computer technology.



### POLAR GAS PROJECT

**An investment in energy development, to ensure future supplies of natural gas in Ontario.**

The Polar Gas project is one of the OEC's original investments, dating back to 1975. Other partners in this venture are TransCanada PipeLines, Panarctic Oils, Tenneco Energy Ltd. and Petro-Canada. Polar Gas is a research project established to determine the best way of delivering natural gas from the Arctic Islands and the Mackenzie Delta/Beaufort Sea areas to southern markets, during the 1990's.

Changing circumstances prompted the partners to initiate a review of the entire project during 1982. Timing, routing and scale were re-examined, and at year's end a new approach was being developed.



### BRUCE ENERGY CENTRE DEVELOPMENT CORPORATION (BECDEVCO)

**An investment holding company finding new uses for waste and surplus heat.**

The Corporation is one of seven partners in this company, whose objective is to use surplus steam at Ontario Hydro's Bruce Nuclear Power Development for industrial, agricultural and aquacultural applications.

BECDEVCO has established the foundations of the Bruce Energy Centre. It has purchased 563 hectares (1,392 acres) of land, negotiated necessary re-zoning, identified potential users, negotiated a contract for substantial steam supplies, arranged for the installation of the first stage of the steam pipe from the power station to the Centre, demonstrated high-yield food production in a greenhouse near the Centre, and completed all necessary engineering and environmental studies relating to land use, services, transportation by road and by rail, and harbour access from Lake Huron.

In June 1982 the Minister of Energy asked Ontario Hydro to purchase the interests of BECDEVCO so that a single focus for future development at the Bruce Energy Centre could result. Negotiations have been underway for some time and, under the terms of the proposed sale agreement, Ontario Hydro would pay approximately \$2.2 million for BECDEVCO assets, enabling the private sector investors to recoup their original investment and Ontario Hydro to receive the assets free of liabilities. The Corporation in turn would provide Ontario Hydro with approximately \$4 million worth of value as a contribution to the continued development of the Bruce Energy Centre.

## TELERIDE AND SAGE

**High technology venture capital investments serving public transit and conserving transportation fuels.**

Teleride's computerized transit control and information system uses radio and computer technology to monitor the location of buses and other vehicles in a transit system, and then makes the information available to the public.

Transit riders can access the system by telephone, and are advised when to expect the next bus on the route they wish to travel. Wherever a Telerider system has been installed, it has created measurable increases in transit use, especially on routes with long service intervals.

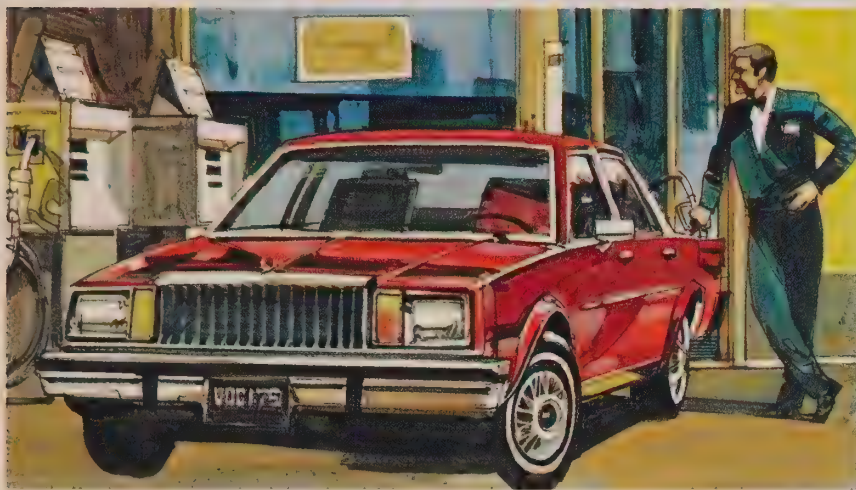
The system is well-proven, and is receiving good market acceptance in Canada and the USA. Installations have already been made in Toronto, Mississauga, Ottawa, Kitchener-Waterloo,



Guelph, Brantford, Columbus, Ohio and San Diego, California, with testing for the system under way in several other U.S. cities.

The SAGE investment is complementary to Teleride. SAGE

Management Consultants provides consulting, software and computer time-sharing for transit scheduling, maintenance and administration. The result, in both cases, is energy conservation.



## SELACHII

**A venture capital investment which will make possible large-scale savings in transportation fuels.**

The Selachii controlled pressure induction fuel delivery system is an alternative to conventional carburetion in internal combustion engines. It has the potential to reduce fuel consumption by four to eight per cent, and it can be used with various alternative fuels, including gas/alcohol mixtures.

This fuel delivery system, a Canadian invention, has been under development for five years, and is protected by patents worldwide. The OEC investment, through Ontario Energy in Transportation Ltd., makes possible final product development, manufacturing and marketing of the system.

## ONTARIO VAN POOL ORGANIZATION (OVPO)

OVPO is demonstrating that vanpooling is a commercial proposition. The goal is to promote energy conservation in Ontario through vanpooling among commuters. At present, the 35 van OVPO fleet operates from 21 centres throughout Ontario,

including Orangeville, Barrie, Kitchener, St. Catharines, Oshawa and Blind River.

This demonstration program, which is showing favourable results, is expected to be concluded during the next two years.



#### ENERGREEN

**A venture capital investment to demonstrate commercial application for waste industrial heat in horticulture.**

Energreen operates a 0.57 hectare (1.4 acres) greenhouse near Ramore in Northern Ontario. The greenhouse is heated using hot exhaust gases from a nearby TransCanada PipeLines natural gas pipeline compressor station. In 1982, four million tree seedlings were grown there for the Ministry of Natural Resources' reforestation program. Seven million seedlings are expected to be grown in 1983.

There is enough heat available at Ramore to add another 1.05 hectares (2.6 acres) of greenhouses.

This investment could serve as a model for similar enterprises in Northern Ontario.

#### BIO-HOL

**A bio-technology investment aimed at establishing a new source of fuel.**

Bio-hol is a joint venture between the OEC and Weston Energy Resources Ltd. Its objective is to demonstrate the commercial viability of a process that produces fuel-grade ethanol from wood residues, using microbiological fermentation techniques. Ethanol is used in gasoline/alcohol mixtures, and could substantially reduce Ontario's need for crude oil.

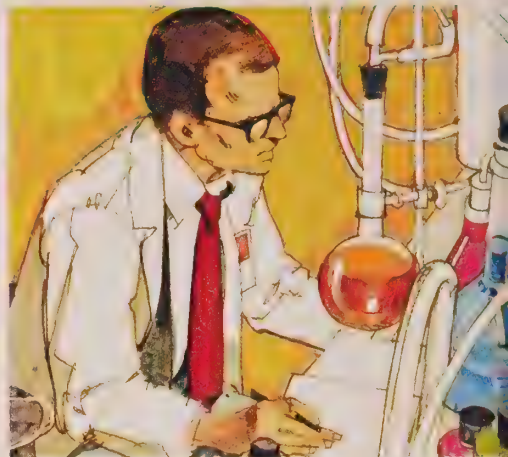
#### HAMILTON ELECTRIC TURBINE GENERATOR

**An investment holding in a successful energy-producing facility.**

The OEC, in partnership with Tricil Limited, has invested in an electric turbine generator to produce electricity from municipal waste at the Solid Waste Recovery Unit (SWARU) in Hamilton, Ontario.

The four-megawatt turbine generator, officially opened on November 26, 1982, is driven by steam produced by heat from the municipal incinerator. Its output is 14 million kwh of electricity annually, the equivalent of about 3 636 364 litres (800,000 gallons) of fuel oil a year. Two-thirds of the power generated is sold to Ontario Hydro; the rest is used by the SWARU facility.

This is the first commercial electric generation facility in Canada to be fuelled by municipal garbage.



#### OMNIFUEL

**A biomass venture capital investment in development of a new fuel source.**

Omnifuel develops and markets gasification systems. The Omnifuel technique is an efficient method of producing low-BTU gas from biomass such as wood chips and sawdust, or municipal waste. The gas can be used for process heat, to drive electric generators, or as feedstock for chemical production.

In 1982, Omnifuel was actively pursuing an agreement with the U.S. firm Banyan Corporation of Dallas, Texas to market Omnifuel fluidized-bed gasification systems in the United States. These negotiations were successfully concluded in early 1983 with the signing of a joint venture agreement between Omnifuel and Banyan. Other marketing arrangements are being actively pursued in Canada and in other countries.



During 1982, the Ontario Energy Corporation formed two new subsidiaries to assist in the management of its exploration investments. *Onexco Oil & Gas Ltd.* is a tax liable company held 90 per cent by the OEC and ten per cent by Ontario Energy Resources Ltd. Oil and gas exploration and development programs, are the responsibility of this subsidiary. *Onexco Minerals Ltd.* is the Corporation's vehicle for minerals exploration and development.

The OEC, with Suncor, also established *Trillium Exploration Corporation* to undertake oil and gas exploration in Canadian frontier areas. Initial exploration will be on lands in which Suncor has an interest. Other frontier exploration programs will also be initiated over the next five years.

In addition to the investments described below, the OEC in 1982 completed a review of Ontario's oil shale resources which was sufficiently encouraging to result in a contract from the Ministry of Energy to study possible processing techniques. The OEC is also continuing to monitor developments in the Ontario peat industry.

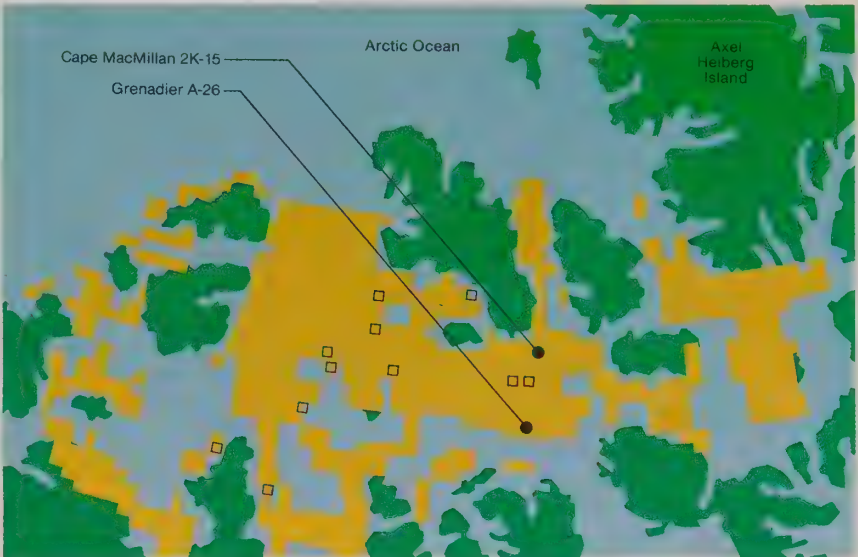
TRILLIUM

An investment in exploration for oil and gas in Canada's frontier lands.

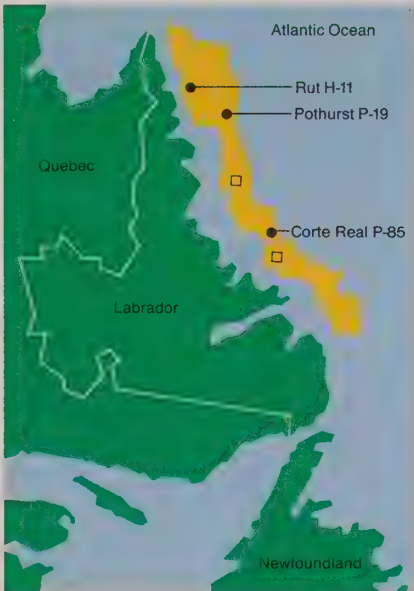
The formation of Trillium Exploration Corporation was announced on September 16, 1982. The OEC holds two-thirds of the new company, and Suncor Inc. holds one-third.

The formation of Trillium fulfills a commitment made in December of 1981, when the OEC purchased a 25 per cent share in Suncor. Trillium explores for oil and gas in Canada's frontier areas. The initial program is a farm-in on Suncor's interest in the Labrador Shelf Exploration Program. During the next five years, Trillium could participate in as many as ten exploratory wells in this promising area, with an option for an extended drilling program.

During 1982, the Labrador Group drilled three wells. Two of the wells, Rut H-11 and Corte-Real



ARCTIC ISLANDS



LABRADOR SHELF

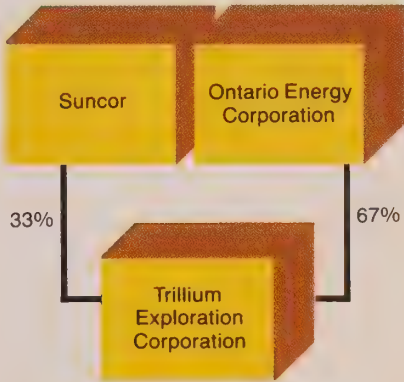
- Wells in which Trillium has earned an interest.
- Oil and gas discoveries.
- Lands in which Trillium is entitled to earn an interest.

P-85 had been spudded during 1981, and were re-entered in 1982 and drilled to a total depth of 4 093 metres (13,425 feet) and 3 946 metres (12,943 feet) respectively. A third well Pothurst P-19, was spudded and drilled to a depth of 3 843 metres (12,605 feet). All three wells were suspended at the end of the season. In addition to its drilling program, the Group conducted a 2 500 km (1,550 miles) seismic study in the area, and continued with an environmental program.

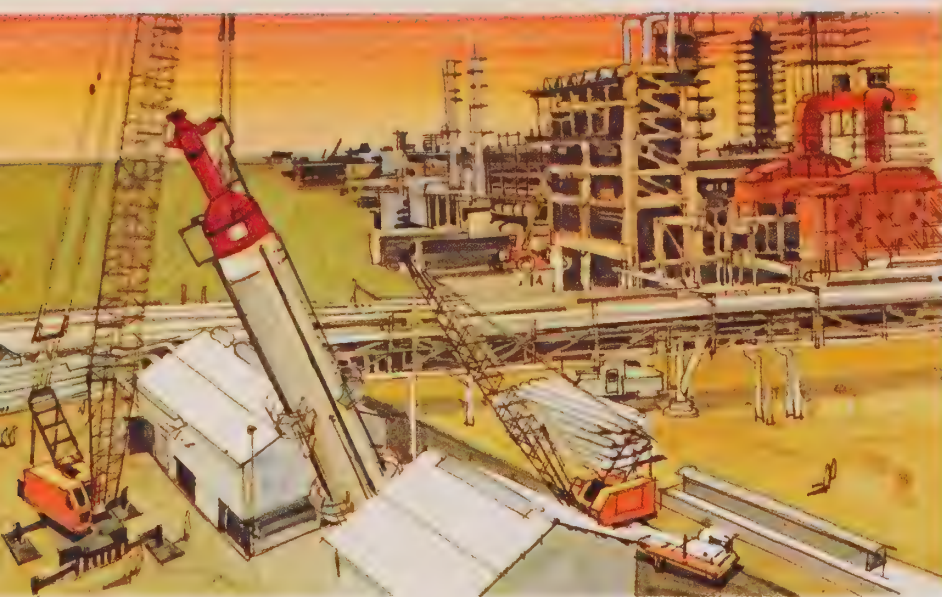
Trillium will also participate in exploration programs under way in most of Canada's frontier areas, and has already announced a farm-in agreement with Suncor involving offshore Arctic Islands. Trillium is also seeking investment opportunities with companies other than Suncor.

Trillium meets all federal government requirements for Canadian ownership and control, and has an all-Canadian Board of Directors. Over the next five years, Trillium expects to invest about \$220 million in frontier exploration.

These costs will be eligible for maximum frontier exploration grants under the federal Petroleum Incentives Program.



Ownership of Trillium Exploration Corporation



## SUNCOR

**An investment in one of Canada's largest integrated oil companies.**

In December 1981, the OEC bought a 25 per cent interest in Suncor, through its subsidiary Ontario Energy Resources Ltd. Suncor is among Canada's largest integrated oil companies, and had previously been virtually 100 per cent owned by Sun Company, Inc. of Pennsylvania. In January 1982, three OEC Directors were appointed to the Suncor Board.

Following their appointment, Suncor announced major expansion and improvement plans.

- A \$335 million, two-year, upgrading of the Suncor Sarnia refinery through the addition of a hydrocracker complex. The addition of the hydrocracker significantly increases the proportion of transportation fuels and petro-

chemical feedstocks which can be extracted from crude oil. Crude oil consumption at the refinery will decrease by about 1 430 843 cubic metres (nine million barrels) a year, while the output of transportation fuels will remain the same. This is a substantial contribution to oil security in Ontario. At the same time, the project provides community benefits such as construction and operating jobs at the refinery, as well as manufacturing and service contracts. As a result of Suncor's "Buy Canadian" policy, nearly 90 per cent of its hydrocracker investment will be spent in Canada. The lion's share is being spent with Ontario manufacturers.

- At the Fort McMurray oil sands mine and plant, \$355 million will be spent over five years to increase accessible synthetic crude oil reserves by approximately 14 308 426 cubic metres (90 million barrels), and to upgrade mine and plant facilities for increases in efficiency and operational reliability. This investment will contribute to Canadian oil security, and will also provide work for Canadians.
- At the established Fort Kent thermal project, an investment of some \$88 million was committed to project expansion and to the testing of a number of new techniques for extracting heavy oil.

Both in the short term and in the long term, the OEC investment in Suncor brings economic strength and energy security to the people of Ontario.

## SOUTHWESTERN ONTARIO and HUDSON BAY

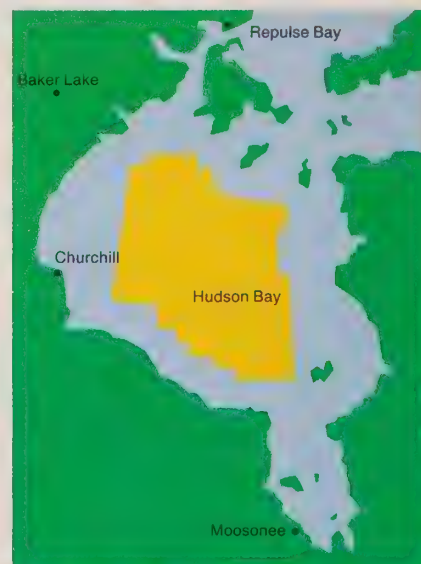
**Investments in exploration which can add to Ontario's oil and gas supplies.**

The *Southwestern Ontario Exploration Joint Venture* includes the OEC, in partnership with Petro-Canada and Canada Cities Services. It holds exploration leases for some 22 267 hectares (55,000 acres). A seismic program has identified a number of promising targets. Exploratory wells were drilled in late 1981 and mid 1982 and showed hydrocarbon potential; the drilling program will continue in 1983.

*Hudson Bay Exploration Joint Venture* has a five-year exploration agreement with the federal government.

The agreement covers 29 149 794 hectares (72 million acres) of the Bay, and is believed to be the largest single exploration licence ever granted in Canada. The OEC is in partnership with Sogepet and Canadian Occidental Petroleum. Soquip is also a participant through a farm-in agreement with Sogepet.

During 1982, the first year of the program, over 5 000 km (3,100 miles) of seismic data were collected. At year-end, the data were being evaluated by the group.



*Licence area of Hudson Bay joint venture.*

As part of the 1982 program, Canadian Occidental, the operator for the Group, undertook community consultation and wildlife observation programs. Information exchange meetings were initiated with northern native groups and government representatives of the Hudson Bay area.

A wildlife monitoring program was conducted from the seismic vessel to improve the environmental information base. Two Inuit from communities adjacent to Hudson Bay, with extensive knowledge and hunting experience, were hired as observers to collect the information. These programs are the initial steps in an extensive long-term effort to inform communities of the exploration activities and to ensure that exploration and development work is carried out in an environmentally sound manner.

Hudson Bay is the only frontier area directly accessible from Ontario. Clearly, any major discovery here will be of great value to the province.

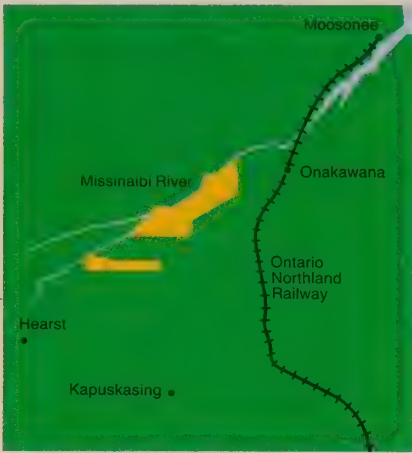


**JAMES BAY LOWLANDS  
LIGNITE EXPLORATION**

**An investment in exploration for  
an alternative fuel source.**

This OEC program has succeeded in discovering several promising lignite occurrences in Northern Ontario. Lignite has potential as a substitute for oil, natural gas and imported coal.

Through its subsidiary, Onexco Minerals Ltd., the OEC com-



*Location of Onexco Minerals Ltd.  
licence areas in the James Bay Lowland.*

pleted the second year of a three-year lignite exploration project in the James Bay Lowlands area of Ontario in 1982. After preliminary evaluation, a significant portion of the 404 858 hectares (one million acres) covered by the original licence was relinquished, reducing the licence area amounts to approximately 112 955 hectares (279,000 acres). Further exploration will be undertaken during the winter of 1983. The Corporation's aim is to develop these resources in partnership with private sector companies.

**Alternative Transportation Fuels**

As part of the Ontario Government's Alternative Transportation Fuels Program, the Ontario Energy Corporation is managing two alcohol fuels contracts for the Ontario Ministry of Energy.

Under the wood-to-ethanol contract, the Corporation is demonstrating the feasibility of producing ethanol from wood by means of biotechnology. This contract is being executed in part by Bio-hol, a joint venture between Weston Energy Resources Ltd. and the OEC.

The Corporation's

Methanol Assessment Program is designed to assess methanol as an alternative transportation fuel. This program involves the examination of a variety of methanol production techniques employing such indigenous feedstocks as lignite, peat and wood, as well as the testing of methanol in vehicle fleets using gasoline/methanol blends.

Ethanol and methanol have not only the potential for contributing to Canada's security of energy supply, they also could significantly help to improve the environment.

**Metric conversion guide:**

- Crude oil, refined products, etc.
- 1 m<sup>3</sup> (cubic metre) = approx. 6.29 barrels
- 1 hectare = approx. 2.47 acres
- 1 km (kilometre) = approx. 0.62 mile
- 1 m (metre) = approx. 3.28 feet
- 1 litre = approx. 0.22 Imperial gallon



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Investment  
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## Ontario Energy Corporation Annual Report 1983

### Investments in Ontario's Energy Future

### The Year's Highlights

- Net income in 1983 was \$10.1 million.
- One oil substitution and two new energy conservation technology investments.
- Canadianization completed on the majority of Suncor's frontier lands.
- Participation in 12 frontier oil and gas wells with one oil and gas discovery; six were still drilling at year-end.
- Participation in five exploratory oil and gas wells in Ontario with two oil discoveries.
- Participation in six exploratory oil wells in Western Canada with two oil discoveries.
- Discovery of a potential 700 million tonnes of lignite (brown coal) in Northern Ontario.

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## Corporate Profile

The Ontario Energy Corporation (OEC) was established by the Government of Ontario in 1975 to invest in Ontario's energy future. Its primary goal is to establish, in conjunction with the private sector, commercial energy technology ventures and to invest in oil and gas activities.

The Corporation is a unique combination of public and private enterprise, operating like a private investment company within policy parameters established by the Government of Ontario. The OEC finances its own administrative costs, and is responsible to an independent Board of Directors. The Minister of Energy is the sole shareholder.

In terms of people, the Corporation is small, with 23 full-time staff members. All but two of the Corporation's 20 investments are in partnership with private companies.

Because of the emphasis placed on leadership and innovation, the OEC's investments tend to be in areas of higher risk.

## Corporate Mission

To assist in the pursuit of a more secure energy future for Ontario through innovative, catalytic and leadership energy investments.

## Mandate from Government

The Act which created the Ontario Energy Corporation defines its mandate in precise terms:

"To invest or otherwise participate in energy projects throughout Canada, or elsewhere, to:

- enhance the availability of energy in Ontario;
- stimulate exploration for and the development of sources of energy;
- stimulate expansion of the capability to produce energy;
- encourage investment in energy projects and the effective use of financial, human and other resources in energy projects;
- encourage the development of processes and equipment that will avoid the wasteful use of energy, and that will minimize harm to the environment."

Ontario Energy Corporation:  
Investments

Investment Criteria

The Corporation considers participation in energy projects which:

- are compatible with the Corporation's objectives and mission;
- allow an interest in tangible assets or other commercial property;
- involve an investment or financing role rather than an operating role;

- do not require a subsidy or grant from the Corporation;
- are compatible with the energy policy of the Ontario government.

Investments Through Subsidiaries

The OEC invests primarily through three subsidiaries: Ontario Energy Ventures Limited (OEV) which is active in energy technology investments; Ontario Energy Resources

Ltd. (OERL) which is the holding company for the Corporation's 25 per cent interest in Suncor Inc.; and Onexco Oil & Gas Ltd. which invests in oil and natural gas exploration and development ventures.

Direct Investments

Two investments – Polar Gas and Ontario Van Pool Organization Limited (OVPO) – are directly funded by the Corporation.

Chronology of the Corporation's Investment Portfolio

Policy	OEC Investment	Year of First Investment								
		1975	1976	1977	1978	1979	1980	1981	1982	1983
OIL AND GAS SUPPLY	Syncrude									
	Canadian Occidental/Petro-Canada									
	Joint Venture									
	Suncor									
	Hudson Bay Exploration									
	Joint Venture									
	Trillium Exploration Corporation									
	Consumers' Gas Exploration									
	Joint Venture									
	L.K. Oil & Gas Exploration									
Joint Venture										
Mannville Oil & Gas										
Exploration Joint Venture										
SUBSTITUTION	Polar Gas Project									
	Bruce AgriPark Venture and									
	Bruce Energy Centre									
	Development Corporation									
	James Bay Lignite Exploration									
	Hamilton Garbage Electric									
	Generator									
	Omnifuel									
	Bio-hol									
	Energreen									
Selachii										
bioHeat										
CONSERVATION	Ontario Van Pool Organization									
	Teleride									
	SAGE									
	Petrosave									
	G.K. Fleming & Associates									



*The OEC Board: left to right George C. Hitchman, Malcolm Rowan, W. Edwin Jarmain (Chairman), Gerald E. Nori (not present: David L. Campbell, Pierre Genest, Philip B. Lind, M. Theresa McLeod, David Melnik).*

Net income for 1983 was \$10.1 million. Since 1975, the Corporation has paid back to the Minister of Energy, its shareholder, over \$142 million.

Tight cost controls first instituted in 1981 were maintained throughout 1983. Net operating expenses during this period were reduced by four per cent despite an increase in inflation (CPI) of 25 per cent. Staff was reduced by a further eight per cent by year end compared with 1982. From January 1981 to December 1983, the OEC's staff has been reduced by 30 per cent, resulting in significant cost savings.

It is expected that the Corporation will become financially self-sufficient in terms of operating and capital costs by the end of 1987. As has been the case for the past five years, the OEC financed all of its operating expenses from its own resources.

### Energy Resources

Ontario Energy Resources Ltd. (OERL) purchased 25 per cent of Suncor Inc. common shares in 1981. Suncor demonstrated significant improvement in 1983, with its oil sands production up some 41 per cent, while its earnings increased 80 per cent over 1982. The Corporation received over \$10 million in dividends from Suncor in 1983.

Trillium Exploration Corporation had a very successful year, participating in 12 wells in the frontier.

In Ontario, Onexco Oil & Gas Ltd., in a joint venture with Consumers' Gas Company Ltd., had good success in Southwestern Ontario with two oil discoveries.

Onexco also entered into two oil and gas joint ventures in Western Canada during the year – with Mannville Oil & Gas Ltd. and L.K. Oil & Gas Ltd. Both are three-year exploration programs.

In the James Bay Lowlands, Onexco Minerals Ltd. successfully completed the third year of a lignite drilling program. Based on the drilling program to date, its geological consultants believe that it has discovered a potential regional resource of up to 700 million tonnes of lignite. If this forecast is correct, this would more than triple Ontario's current lignite reserves. Further drilling will be required to prove up the reserve. Hence, no estimate has yet been made as to the economic viability.

## Energy Technology

The Corporation streamlined its venture capital activities in 1983 by bringing together its technology investments within a single subsidiary - Ontario Energy Ventures Limited (OEV).

During the year, OEV, in conjunction with private sector partners, invested in one oil substitution and two new energy conservation technologies.

Ontario Energy Ventures Limited currently concentrates its investment activities on six energy technology areas - energy conservation, substitution, energy from waste, transportation, biotechnology and oil service.

## Energy Environment

The long-term international oil supply outlook is still highly uncertain. Barring unforeseen international political events over the next two to three years, one can expect a continuation of soft oil prices and apparent plentiful supplies. This apparent glut has significantly reduced public interest in, and concern about, energy security. Nonetheless, Canada's conventional oil reserves are rapidly depleting, requiring considerable exploration, conservation and substitution efforts to stem the decline. Despite substantial efforts in recent years, Canadian crude oil self-sufficiency, at present levels of effort and investment, is not now expected before 1995.

Given this outlook, the policy for the next five to ten years is likely to be full of uncertainty, requiring Ontario to be a vigilant and active participant in national energy policy-making. It will also be a time when the cost involved to achieve the goal of Canadian oil self-sufficiency is likely to be questioned with increasing intensity.

Ontario's energy policy objectives have not changed. Oil self-sufficiency, conservation and substitution continue to be three of the principal pillars of that policy and the framework within which the Ontario Energy Corporation operates. This annual report illustrates the results-oriented nature of Ontario's energy policy. It is a policy which is both comprehensive and relevant to the needs of the province and of Canada during this period of uncertain oil supply.

Consistent with that policy, the OEC's shareholder, the Minister of Energy, in 1983 agreed to purchase \$23 million of equity in the Corporation each year for five years. This funding is being provided to finance the Corporation's existing commitments, such as its investments in frontier and conventional exploration and in energy technology, and to allow the Corporation to become financially self-sufficient by the end of 1987.

## Changes to the Board

During the year, Mr. Philip Lind joined the OEC Board of Directors, replacing Mr. Blair Tully. With this appointment, the Board's outside directors are now drawn entirely from the private sector.

Respectfully submitted on behalf of the Board.



Malcolm Rowan  
*President and Chief Executive Officer*

David L. Campbell  
*President,*  
David L. Campbell Ltd., Consultant

Pierre Genest, Q.C.\*  
*Senior Partner,*  
Cassels, Brock, Barristers and Solicitors

George C. Hitchman\*\*  
*Corporate Director*

W. Edwin Jarmain\*  
*President,*  
Jarmain Communications Inc.

Philip B. Lind  
*Senior Vice President,*  
Rogers Cablesystems Inc.

M. Theresa McLeod\*\*  
*Vice President and Director,*  
Pitfield Mackay Ross Limited

David Melnik, Q.C.\*\*  
*President and Chief Executive Officer,*  
Vanguard Trust

Gerald E. Nori, Q.C.  
*Partner,*  
Wishart, Noble, Barristers and Solicitors

Malcolm Rowan\*  
*President and Chief Executive Officer,*  
Ontario Energy Corporation

\* Also a Director of Suncor  
\*\* Audit Committee

## Officers of the Corporation

W. Edwin Jarmain, *Chairman*

Malcolm Rowan, *President and Chief Executive Officer*

Peter Szego, *Vice President, Energy Investments*

Robert Law, Q.C., *Corporate Counsel and Secretary*

Janet C. McNally, *Assistant Secretary*

## Auditors

Deloitte Haskins & Sells

Media reports of a world oil 'glut' and frequent gasoline price wars during the past year may give Canadians a feeling that their oil supply worries are over – that Canada has plenty of oil or can buy it from other countries as the need arises.

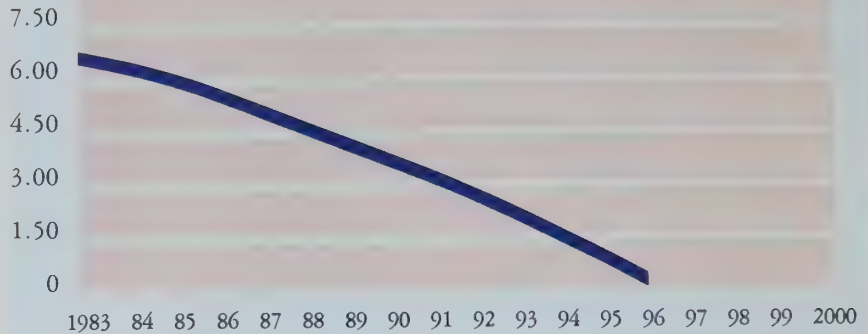
While world oil producers can supply more oil than is currently required at the present time, does this mean that Canada's worries are over? Fundamental to determining whether Canada can relax are answers to such other questions as:

- Will Canada be able to import all of the oil it needs at a 'reasonable' price? If the answer is yes, then the current goal of oil self-sufficiency could be inappropriate.
- If the answer is no, but Canadian oil self-sufficiency is considered to be too costly, how dependent on foreign oil supplies should Canadians become – 10 per cent, 25 per cent, 50 per cent? In other words, what is a reasonable oil supply insurance policy for Canada?

The dimensions of the problem are set out in the charts opposite.

Canada's reserves of crude oil are rapidly declining.

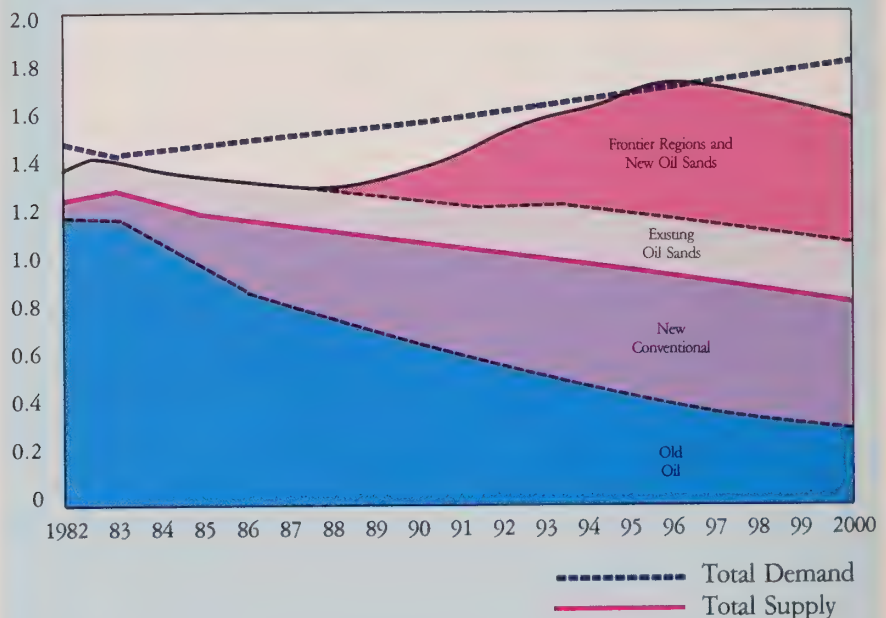
**Crude Oil – Estimated Remaining Canadian Reserves  
Less Cumulative Production to the Year 2000  
(Billions of Barrels)**



Source: EMR Long-Term Energy Supply/Demand Outlook Summer '83  
Forecast as cited in Canadian Petroleum Outlook: Prospects to the year 2000,  
Merrill Lynch Canada Inc., October 1983.

Despite significant efforts over the past 10 years, Canada is not self-sufficient in oil and will not be able to meet its projected oil needs before 1995 at the earliest. This is illustrated in the chart below.

**Oil Supply/Demand – Lower Price Scenario  
(Millions of Barrels per Day)**



Source: EMR Long-Term Energy Supply/Demand Outlook Summer '83  
Forecast as cited in Canadian Petroleum Outlook: Prospects to the year 2000,  
Merrill Lynch Canada Inc., October 1983.

This chart displays Canada's forecasted oil supply/demand outlook to the year 2000. It also assumes that the Canadian well head (old conventional) price will go up to \$Cdn. 61.59 per barrel by the year 2000.

Investments in  
Ontario's Energy Future:  
*Energy Technology*



## Ontario Energy Ventures Limited (OEV)

Ontario Energy Ventures is the Corporation's venture capital subsidiary. OEV invests with the private sector in projects or companies engaged in the development or marketing of energy-related technologies which:

- conserve energy;
- replace oil with other sources of energy; or
- improve exploration and development techniques.

## Petrosave

*Petrosave offers an innovation in energy conservation to Ontario building-owners.*

Petrosave is a leader in providing Thermal Management Services (TMS) to commercial and institutional building-owners. Under a TMS agreement Petrosave:

- assumes responsibility for providing a building's energy requirements;
- provides the capital for and supervises the installation of all energy-conserving equipment and modifications;
- maintains the equipment that has been installed;
- pays all energy utility bills on behalf of the building's owner.

The fee for this service is the value of the building-owner's current energy costs, less a guaranteed discount.

As an added feature, at the end of the agreement, title of the energy-conserving equipment purchased and installed by Petrosave reverts to the owner for a nominal cost. Thus, the building-owner will continue to realize energy savings even after the TMS agreement has expired.

## G.K. Fleming & Associates

*An investment in computerized industrial energy conservation management.*

G.K. Fleming & Associates Limited of Thunder Bay is in the final stages of developing a computerized Energy Conservation and Management System (ECMS) for use by industry.

ECMS is an automated information system designed to assist management in specifying energy requirements and identify possible areas for energy conservation. ECMS will complement Fleming's already existing and successful Plant Management Information System (PMIS), a software package which is currently being used by a number of major Canadian companies.

It is anticipated that ECMS will have wide application across Canadian industry. The initial target market for this system is the pulp and paper industry.

## Energreen

*An energy from waste investment to demonstrate the commercial application of waste heat in horticulture.*

Energreen operates a 0.57 hectare (1.4 acres) greenhouse near Ramore in Northern Ontario. The greenhouse is heated using hot exhaust gases from a nearby TransCanada PipeLines natural gas pipeline compressor station. In 1983, seven million tree seedlings were grown for the Ministry of Natural Resources' reforestation program.

There is enough heat available at Ramore to add another 1.05 hectares (2.6 acres) of greenhouses.

This investment serves as a model for similar enterprises in Northern Ontario.

## Omnifuel

*An investment in the development and marketing of gasifier technology.*

Omnifuel develops and sells turnkey systems using fluidized bed gasifiers to turn forest and agricultural residues and municipal waste into low-BTU gas. The gas produced can be used to generate heat or drive electrical generators, or as a chemical feedstock.

During the year, Omnifuel won a major contract to supply a high-pressure unit to produce a synthetic gas for methanol production.

## bioHeat

*The development of a residential wood pellet burning furnace; an alternative to home oil heating.*

bioHeat, a joint venture between OEV and Solifuels International Inc.,

was established to develop and market a residential wood-burning furnace and fuel system designed by Hunter Enterprises of Orillia. The complete heating system includes a furnace which burns wood pellets, a fuel storage system, and a computer-regulated fuel delivery system.

The system is designed to replace oil furnaces in those parts of the province where homeowners do not have access to a wide range of alternative sources of energy suitable for home heating.

## Hamilton Garbage Electric Generator

*A steam-driven turbo-electrical generator at the Solid Waste Reduction Unit (SWARU) facility in Hamilton.*

In a joint venture with Tricil Limited, OEV invested in an electric turbine which, with the average daily burning of 409 tonnes (402 tons) of garbage, produces 14 million kilowatt hours of electricity annually, enough to heat 620 to 875 homes. One-third of the power is used by SWARU and the rest is sold to Ontario Hydro.

The installation has been a technical success and rated output levels have been demonstrated. Output was reduced for part of 1983 due to decreased steam availability.

## Teleride

*An investment in computerized passenger information for public transit.*

Teleride has become the North American leader in applying computer-based information and communications technologies to the public transit industry. Its automated vehicle location and information systems enable the public to determine arrival times of buses and trains, saving waiting time and significantly improving transit service levels.

Information is provided to transit passengers by automated responses to telephone inquiries and from video displays and interactive video terminals at convenient locations such as shopping centres. Measurable increases in transit ridership have been recorded in cities throughout North America where the systems have been installed.

## SAGE

*An investment in computerized management services to the transit industry.*

SAGE provides management support software and problem-solving tools for transit system management. Its scheduling and planning systems provide transit operators with the means of determining routing and vehicle frequency for the most efficient combination of operations and service levels, and form the base for the monitoring systems provided by Teleride.

Working together, the two companies are developing a comprehensive modular Transit Information Communications and Control System which will provide a full range of management tools to maximize transit efficiency and public service. By enhancing the effectiveness of public transit, use of private automobiles is reduced. The result is conservation of transportation fuel.

## Selachii

*An investment in carburation technology leading to savings in transportation fuels.*

The Selachii controlled pressure induction fuel delivery system is an alternative to conventional carburation in internal combustion engines. It has the potential to reduce fuel consumption by four to eight per cent, and it can also be used with various alternative fuels, including gas/alcohol mixtures.

This fuel delivery system, a Canadian invention, has been under development for five years, and is protected by patents world-wide. The investment is designed to enable final product development, manufacturing and marketing of the system.

## Ontario Van Pool Organization (OVPO)

*An investment to evaluate the commercial potential of third-party vanpooling.*

OVPO's goal is to promote energy conservation in Ontario through commuter vanpooling. The 34-van OVPO fleet operates from 21 centres throughout Ontario, including

Orangeville, Barrie, Kitchener, St. Catharines, Oshawa and Blind River. This demonstration program is expected to be concluded within the next two years.

## Bio-hol

*An investment in the production of ethanol as a transportation fuel through biotechnology.*

Bio-hol is a joint venture between OEV and Weston Energy Resources Ltd. Its objective is to demonstrate the production of fuel-grade ethanol from wood residues, using microbiological fermentation techniques. Ethanol can be used as a gasoline/alcohol mixture, and could reduce Ontario's need for crude oil.

## Polar Gas

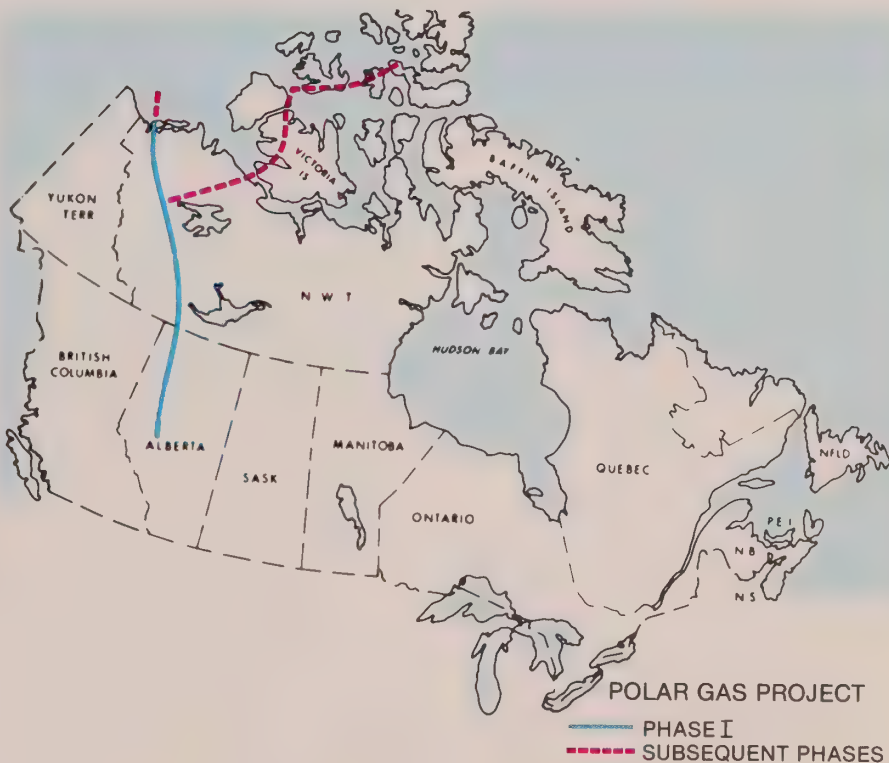
*Polar Gas is a research project designed to transport frontier natural gas to market.*

The OEC has participated in this project since 1975, along with TransCanada Pipelines Ltd., Panarctic Oils Ltd., Tenneco Energy Ltd. and Petro-Canada.

In 1983, Polar Gas announced plans for a multi-phase pipeline system to connect northern frontier natural gas reserves to southern markets.

Phase I of the Project would deliver 225 416 m<sup>3</sup> (800 million cubic feet) per day of gas from the Mackenzie Delta via a 2 097 km (1,300 mile), 14 cm (36 inch) diameter pipeline to Edson, Alberta. It is proposed that natural gas would flow in 1991. The total capital cost for Phase I, including expansion of existing systems, is estimated to be \$6.1 billion. Gradual expansion of the pipeline system would take place at a rate determined by market requirements.

Applications are expected to be made in 1984 to the National Energy Board and the Department of Indian Affairs and Northern Development for Phase I.



Investments in  
Ontario's Energy Future:  
*Energy Resources*



**Ontario Energy Resources Ltd.  
(OERL)**

OERL is the subsidiary through which the OEC purchased its 25 per cent equity interest in Suncor Inc. in December 1981.

Suncor's 1983 financial performance was one of the strongest amongst the integrated oil and gas companies. Earnings in 1983 were \$108.4 million, an increase of 80 per cent over 1982. OERL received \$10.4 million in dividends from Suncor in 1983.

The majority of Suncor's frontier lands have now been Canadianized through the activities of Trillium Exploration Corporation. Trillium is a joint enterprise of the OEC and Suncor established to explore and develop Canada's frontier lands.

Major investments initiated by Suncor in 1982, including its Sarnia refinery hydrocracker, its Fort McMurray oil sands plant integrity program, and its oil sands mine expansion, created significant manufacturing and construction job opportunities during 1983 and will enhance the company's profitability in future years. In 1984, approximately \$200 million of additional investment will be undertaken by Suncor at its Sarnia refinery upgrader and its Fort McMurray oil sands plant.

Suncor is investing \$335 million to construct its Sarnia hydrocracker. As a result of its Canadian purchasing policy approximately 90 per cent of these contracts have been awarded to companies in Canada, with Ontario firms receiving the majority. At year-end, over 130 Ontario companies have already received contracts valued at approximately \$77.7 million, and over \$240 million has been spent on construction at the site.

In terms of energy benefits, the hydrocracker will enable Suncor to conserve nine million barrels a year of crude oil while producing the same volume of transportation fuel.

It is expected that the hydrocracker complex will be in full operation in the fourth quarter of 1984.



*Suncor Bucketwheel*



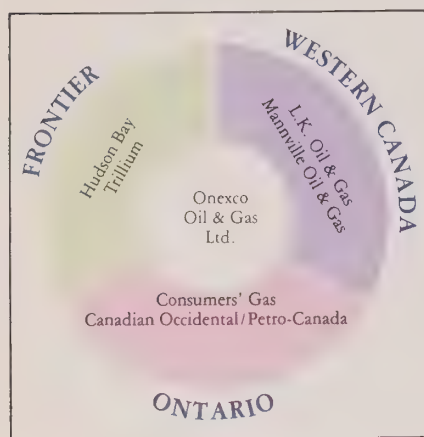
*Suncor's Hydrocracker,  
Sarnia Refinery*



*Sunoco Service Station*

## Onexco Oil & Gas Ltd.

Onexco Oil & Gas Ltd. is the Corporation's oil and gas subsidiary which invests in ventures in Ontario, the western provinces and in Canada's frontier lands.



## Southwestern Ontario

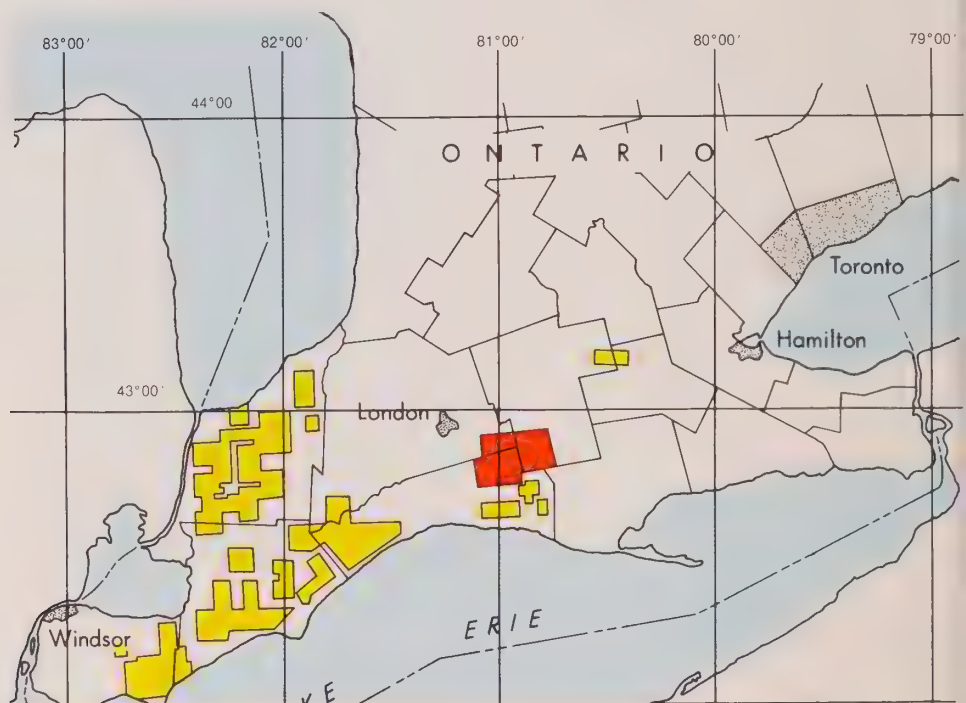
In 1983, Onexco formed a joint venture with Consumers' Gas of Toronto to explore for oil and gas in Southern Ontario. This two-year exploration program involves extensive seismic surveys and up to 20 exploratory wells on 97 166 hectares (240,000 acres) of land. At year-end, five wells had been drilled, two of which were oil discoveries. Further testing will be undertaken during 1984 to determine commercial viability.

Onexco also continued participation in its exploration joint venture with Canadian Occidental Petroleum Ltd. (which assumed the holdings of Canada Cities Service in 1983) and Petro-Canada on 22 267 hectares (55,000 acres) in Southwestern Ontario. In July 1983, a Cambrian well was drilled which had hydrocarbon shows. A total of three Cambrian wells have been drilled since the program was initiated in

1981. While not commercially successful, these wells have proved useful in defining the area's geology and in assessing the oil potential in the deeper geological horizons. Further drilling and geophysical activity is under review for 1984.



*Drill Rig, Southwestern Ontario*



## SOUTHWESTERN ONTARIO

- CONSUMERS' GAS
- CANADIAN OCCIDENTAL/PETRO-CANADA

Trillium Exploration Corporation

Trillium Exploration Corporation is two-thirds owned by Onexco and one-third owned by Suncor Inc. Trillium fulfills a commitment made in December 1981, when the OEC purchased 25 per cent of Suncor, to Canadianize Suncor's frontier lands. Trillium is eligible for the maximum frontier exploration grants.

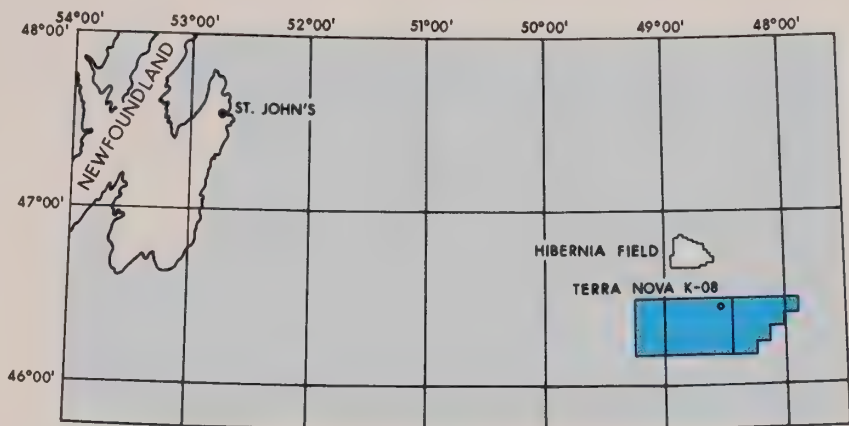
During 1983, Trillium participated in the exploration of most of the major Canada Lands areas.



Esso Rig No. 7 drilling the Kadluk 0-07 well in the Beaufort Sea from its Caisson Retained Island.

Offshore Newfoundland

In 1983, Trillium participated in the Terra Nova K-08 well in the South Hibernia area. The well, located 32 km (20 miles) south of the Hibernia oil field, was still being drilled at year-end and had penetrated oil-bearing sands. Petro-Canada is the operator.

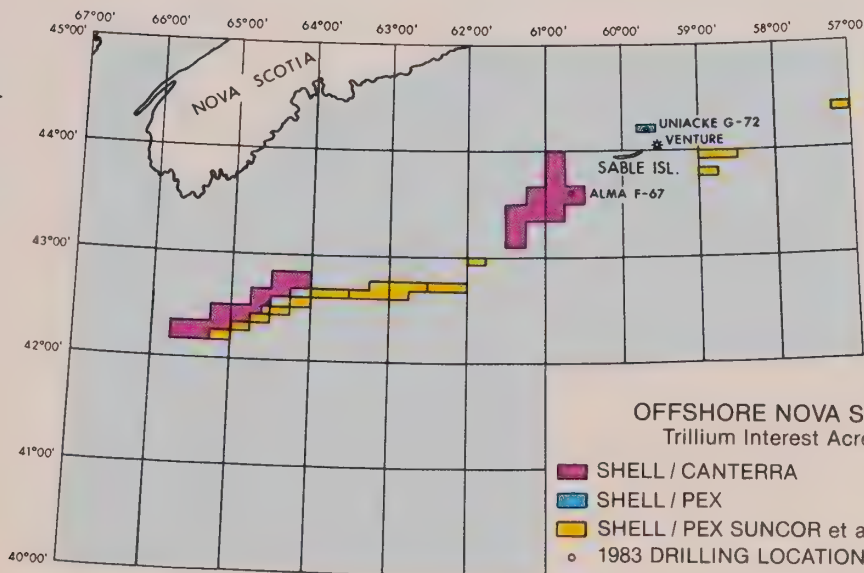


OFFSHORE NEWFOUNDLAND  
Trillium Interest Acreage

- PEX / TRILLUM et al.
- 1983 DRILLING LOCATION

Offshore Nova Scotia

Trillium is part of the Shell Canada-led group drilling ahead on the Uniacke G-72 well at year-end. Preliminary indications suggest the potential for a natural gas and condensate discovery.

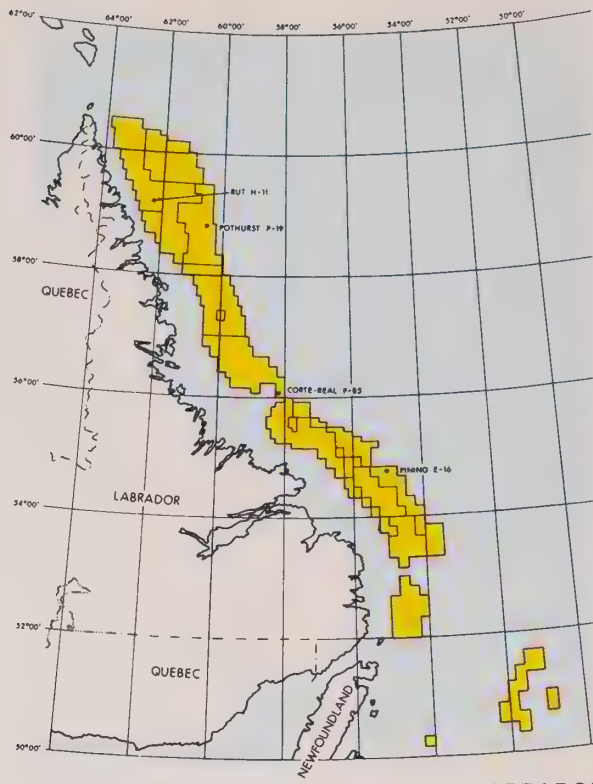


OFFSHORE NOVA SCOTIA  
Trillium Interest Acreage

- SHELL / CANTERRA
- SHELL / PEX
- SHELL / PEX SUNCOR et al.
- 1983 DRILLING LOCATIONS

Offshore Labrador

During 1983, Trillium continued its participation in the Petro-Canada-operated Labrador Group. Three previously spudded wells were re-entered in 1983: Rut H-11 and Pothurst P-19 were declared dry, and Corte Real P-85 was suspended. A fourth well, Pining E-16, was commenced and suspended by year-end.



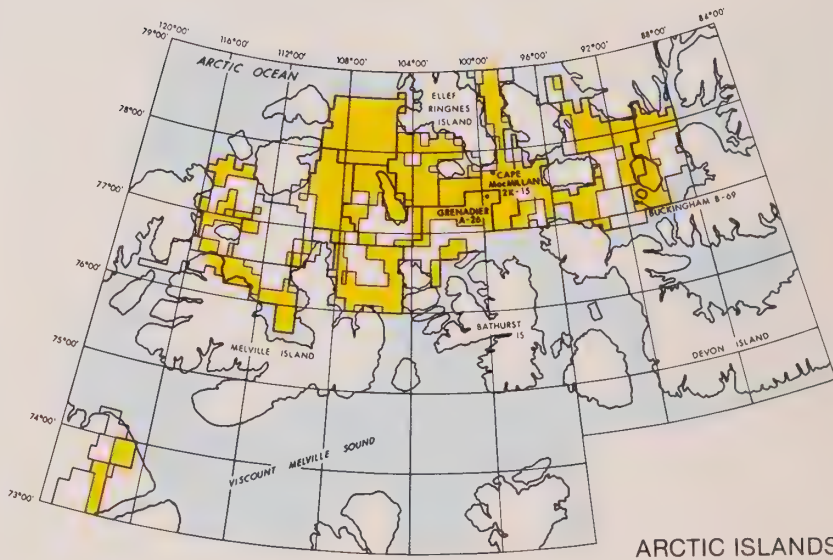
LABRADOR SHELF  
Trillium Interest Acreage

- PEX / SUNCOR et al.
- 1983 DRILLING LOCATIONS

Arctic Islands

Through a farm-in on Suncor lands, Trillium participated in two wildcat wells in 1983: Cape MacMillan K-15 in the Hassel Sound area, and Grenadier A-26 in the Edinburgh Sea area. Completed in the spring, Cape MacMillan K-15 was an oil and gas discovery. Two additional wells are planned for 1984, and flooding of an ice island for Buckingham B-69, offshore Graham Island, began in December 1983.

In January 1984, Trillium acquired a five per cent interest in Panarctic Oils Ltd. through a purchase of flow-through shares. This new funding will be committed to Panarctic's 1984-1985 exploration program. Trillium will be represented on the Panarctic Board of Directors.



ARCTIC ISLANDS  
Trillium Interest Acreage

- PANARCTIC / SUNCOR et al.
- 1983 DRILLING LOCATIONS
- E.A. BOUNDARY

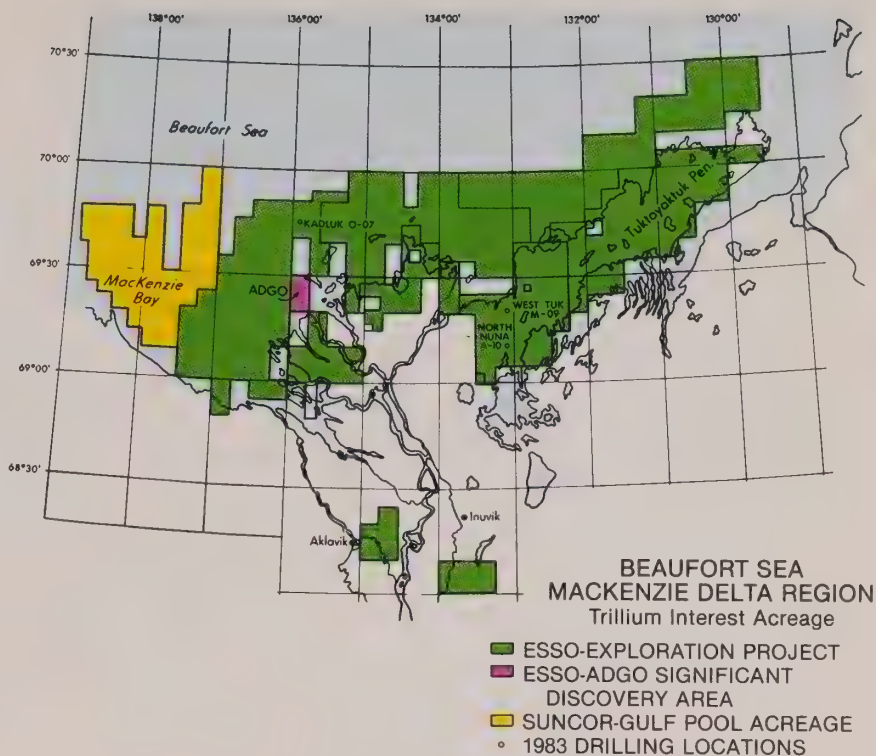
### Beaufort Sea – Mackenzie Delta

In 1983, Trillium farmed into the Esso Resources – Home Oil exploration program. Three wells – Kadluk 0-07, West Tuk M-09 and North Nuna A-10 – were still being drilled at year-end.

Kadluk, an offshore well, was spudded in September and is being drilled from a steel caisson-supported island, the first of its kind to be used in the Beaufort Sea.

West Tuk and North Nuna, spudded in November and December respectively, are two exploratory wells located on the Tuktoyaktuk Peninsula. It is expected that the wells will be completed by the spring of 1984.

Through a farm-in agreement signed in January 1984, Trillium also has a 20 per cent interest in the Esso Resources Adgo Significant Discovery Area in the Mackenzie Delta.



### Hudson Bay

During 1983, Onexco Oil & Gas Ltd. continued its participation in the Hudson Bay Exploration Joint Venture which completed its second year of a five-year exploration program in the Bay. Onexco's partners in the venture are Canadian Occidental Petroleum Ltd. of Calgary (the operator), Sogepet of Toronto and Soquip of Ste. Foy, Quebec. (Soquip is a participant through a farm-in agreement with Sogepet.)

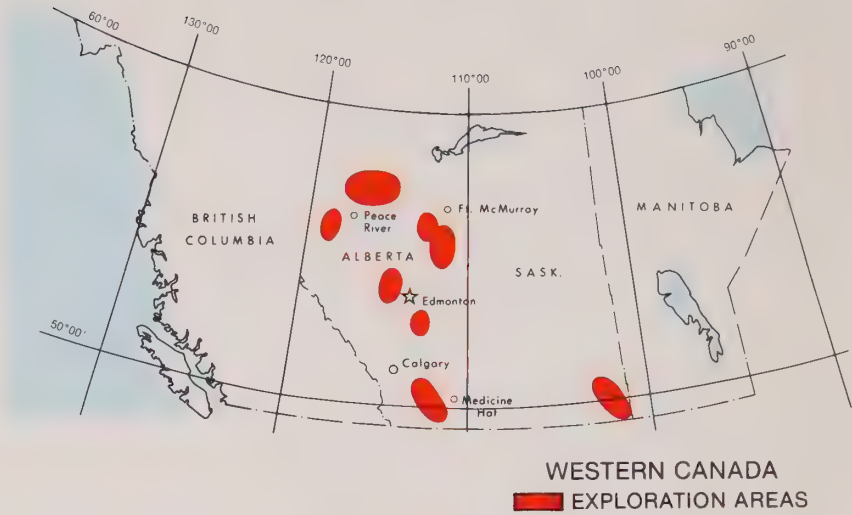
During 1983, a second survey collected an additional 5 400 km (3,356 miles) of seismic data. Processing of this seismic data was under way at year-end. Depending on the geologic structures identified, engineering, environmental and socio-economic studies will be undertaken in 1984. Social and environmental considerations have an important role in this program. During 1983, Canadian Occidental, as operator, continued its program of consultation with communities in the Hudson Bay region and a wildlife observation program was conducted from the seismic vessel. Also, the joint venture contributes to the federal Environmental Studies Revolving Fund.



Western Canada

Alberta remains the principal source of Canada's conventional energy supply. Ontario receives 90 per cent of its oil requirements from Western Canada. In 1983, Onexco Oil & Gas Ltd. formed exploration joint ventures with two junior oil and gas companies: L.K. Oil & Gas Ltd. and Mannville Oil & Gas Ltd.

Over the next three years, the joint ventures will be conducting land acquisition, seismic, and drilling programs throughout Alberta and Southern Saskatchewan. At year-end, six wells had been drilled, resulting in two oil discoveries. It is expected that 30 to 40 more wells will be drilled during 1984.



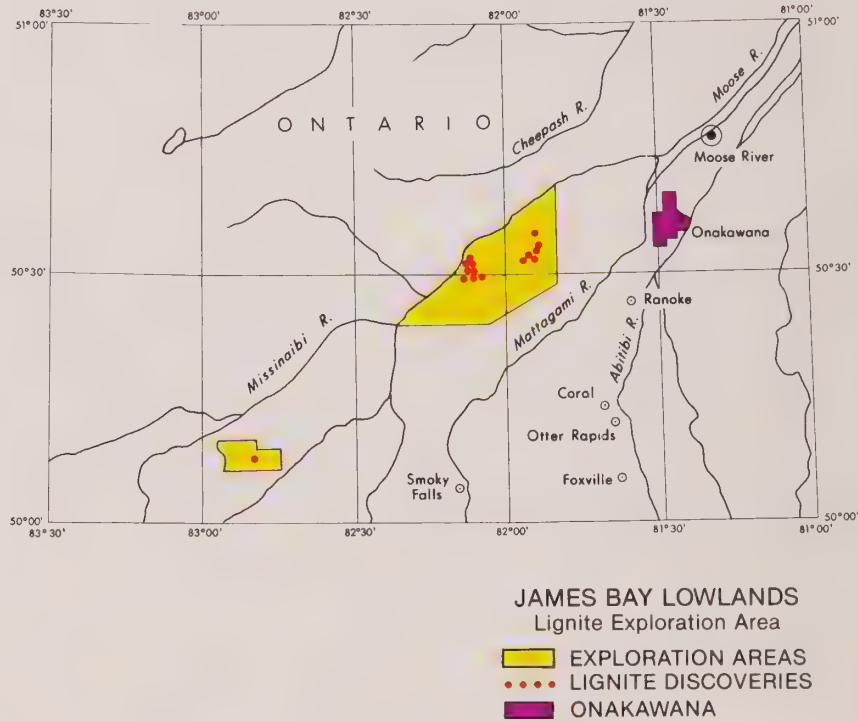
Onexco Minerals Ltd.

Onexco Minerals Ltd. is a wholly-owned subsidiary engaged in energy minerals exploration in Ontario and completed a three-year lignite exploration program in the James Bay Lowlands during 1983.

Watts, Griffis and McQuat Limited, Onexco's geological consultants, estimates a regional resource potential of 700 million tonnes of lignite, of which a significant proportion is located on lands held by Onexco Minerals.

Successive exploration programs have allowed Onexco Minerals to reduce its original 404 858 hectare (one million acre) licence area to 60 728 hectares (150,000 acres) in 1983. Onexco Minerals' licence has been extended by the Ministry of Natural Resources for another three-year period.

During the 1983 winter program, 29 holes were drilled, bringing the total number of holes drilled over the three-year period to 59. As a result, there have been a total of 15 discoveries located over three zones within the licence area.



## Preparation and Review of the Financial Statements

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is responsible for the other information in the Annual Report, which is consistent with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditors at least twice each year to satisfy itself that management's responsibilities are being properly discharged and to review annually the financial statements.

The external auditors, Deloitte Haskins & Sells, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. The auditors' examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and procedures are made to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board. The Provincial Auditor has access to and reviews from time to time the working paper files of the external auditors.

## Auditors' Report

### To the Shareholder of Ontario Energy Corporation:

We have examined the consolidated balance sheet of Ontario Energy Corporation as at December 31, 1983 and the consolidated statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Deloitte Haskins & Sells*

Auditors

March 30, 1984

# Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1983

(000's)	1983	1982
<b>Interest income</b>	<b>\$ 2,381</b>	<b>\$ 2,904</b>
<b>Expenses</b>		
General and administrative expenses	2,191	1,957
Interest (recovered) and bank charges (Note 4)	(1,848)	1,009
	343	2,966
<b>Income (loss) before equity adjustment</b>	<b>2,038</b>	<b>(62)</b>
<b>Equity adjustment in investments</b>	<b>8,126</b>	<b>(5,595)</b>
<b>Net income (loss)</b>	<b>10,164</b>	<b>(5,657)</b>
<b>Retained earnings, beginning of year</b>	<b>20,548</b>	<b>26,205</b>
<b>Retained earnings, end of year</b>	<b>\$30,712</b>	<b>\$20,548</b>

## Consolidated Balance Sheet

December 31, 1983

(000's)	1983	1982
<b>Assets</b>		
<b>Current assets</b>		
Cash, short-term deposits and accrued interest	\$ 15,532	\$ 13,054
Accounts receivable	637	34
Due from affiliated companies	27	42
Due from Treasurer of Ontario	168	-
	16,364	13,130
<b>Investments (Note 2)</b>		
Suncor Inc.	638,529	640,318
Trillium Exploration Corporation	18,554	6,113
Polar Gas Project	17,580	16,764
Other (Note 3)	11,510	7,011
	686,173	670,206
<b>Fixed assets</b>	<b>193</b>	<b>262</b>
	<b>\$702,730</b>	<b>\$683,598</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued charges	\$ 312	\$ 2,369
Current portion of long-term debt	16,250	16,325
Due to Treasurer of Ontario	-	3,034
	16,562	21,728
<b>Long-term debt (Note 4)</b>	<b>601,250</b>	<b>617,988</b>
	<b>617,812</b>	<b>639,716</b>
<b>Shareholder's equity</b>		
<b>Share capital (Note 5)</b>	<b>54,206</b>	<b>23,334</b>
<b>Retained earnings</b>	<b>30,712</b>	<b>20,548</b>
	<b>84,918</b>	<b>43,882</b>
	<b>\$702,730</b>	<b>\$683,598</b>

Approved by the Board:

*Malcolm Rowan*  
Malcolm Rowan, Director

*George Hitchman*  
George Hitchman, Director

# Consolidated Statement of Changes in Financial Position

Year ended December 31, 1983

(000's)	1983	1982
<b>Sources of working capital</b>		
Operations		
Net income (loss)	\$ 10,164	\$ (5,657)
Suncor Inc. dividends	10,449	10,435
Items not affecting working capital		
Deduct equity in earnings of investments	(26,567)	(9,601)
Add amortization and depreciation		
Suncor Inc.	18,441	15,196
Other	106	125
	12,593	10,498
Share capital	30,872	8,334
	43,465	18,832
<b>Uses of working capital</b>		
Reduction in long-term debt	16,738	16,325
Trillium Exploration Corporation investment	12,441	6,113
Polar Gas Project investment	837	564
Other investments (net)	5,174	6,504
Deferred project expenditures	(162)	(97)
Fixed assets	37	190
Suncor Inc. investment	-	3,655
	35,065	33,254
Increase (decrease) in working capital	8,400	(14,422)
Working capital (deficiency), beginning of year	(8,598)	5,824
Working capital deficiency, end of year	\$ 198	\$ 8,598

# Notes to the Consolidated Financial Statement

December 31, 1983

## 1. Significant Accounting Policies

The Ontario Energy Corporation invests in, or otherwise participates in, energy projects with a view to enhancing the availability of energy in Ontario. The Corporation's involvement in its investments is in a financing rather than an operating role.

### Basis of financial statement presentation

The consolidated financial statements include the accounts of the Ontario Energy Corporation and its subsidiaries except Trillium Exploration Corporation ("Trillium"). Trillium is actively involved in an exploration program for oil and gas and its operations are not of a financing nature. Accordingly, Trillium is accounted for using the equity method because consolidating the accounts would not be more informative. Summary information describing the financial position and activities of Trillium is included in Note 2 to these financial statements. Other investments are also accounted for using the equity method.

The full cost method of accounting is used to account for the Corporation's investments in oil and gas exploration activities.

### Fixed assets

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over a period of 60 months; leasehold improvements are amortized over the terms of the leases.

### Income taxes

The Corporation and its wholly-owned direct subsidiaries are not subject to income tax so long as not less than 90 per cent of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario. Onexco Oil & Gas Ltd., which is a wholly-owned indirect subsidiary of the Corporation, is subject to income taxes.

## 2. Investments

### Suncor Inc.

The Corporation owns 25 per cent of the common shares of Suncor Inc. which is accounted for using the equity method. The difference between the cost of the shares and the underlying net book value of Suncor Inc., which relates primarily to oil and gas reserves, is being amortized using the unit-of-production method.

Summarized financial information of Suncor Inc., as at December 31 is as follows:

	1983	1982
	(millions)	
<b>Financial position</b>		
Working capital	\$ 98	\$ 173
Total assets	\$2,130	\$1,936
Shareholders' equity		
Preferred shares	\$ 12	\$ 12
Common shares and retained earnings	1,133	1,067
	\$1,145	\$1,079
<b>Operations</b>		
Revenue	\$1,484	\$1,551
Net income	\$ 108	\$ 60
Dividends on common shares	\$ 42	\$ 42

### Trillium Exploration Corporation

The Corporation has a two-thirds interest in Trillium which was formed in 1982 to explore for oil and gas in the frontier areas of Canada; Suncor Inc., which is owned 25 per cent by the Corporation, owns the other one-third.

The following is a summary of Trillium's financial position as at December 31:

	1983	1982
	(000's)	
Assets		
Current assets	\$23,174	\$ 7,615
Property, equipment and exploration expenditures	10,355	2,802
	<b>\$33,529</b>	<b>\$10,417</b>
Liabilities		
Accounts payable and accrued liabilities	\$ 5,763	\$ 1,013
Shareholder advances		
Suncor Inc.	9,212	3,347
Ontario Energy Corporation	18,554	6,057
	<b>\$33,529</b>	<b>\$10,417</b>

Trillium has had no income or loss from operations and, because of its mandate to explore in the frontier, no income or loss is expected for a number of years.

Trillium is eligible for maximum Petroleum Incentives Program grants of 80 per cent of expenditures for the exploration for oil and gas in the frontier areas of Canada.

### Polar Gas Project

The Corporation is one of five continuing participants in the Polar Gas Project, four of whom are presently providing funds, and accordingly bears 25 per cent of the ongoing research costs and 33-1/3 per cent of costs related to the application for regulatory approval. The purpose of the Project is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from areas in the Canadian Arctic to southern markets.

The Corporation is not obliged to continue to fund the Project. Should it choose not to do so, its investment would be retained but its degree of interest would be diluted.

In the event a company is formed to build and operate transmission facilities, the Corporation's interest would be convertible into equity or debt of such company. Alternatively, under certain circumstances, the Corporation's investment may be repaid.

### Other

The Corporation has invested in energy related projects of various types, many of which are in the developmental stage, and has made further commitments towards these projects aggregating approximately \$3,700,000. In addition, the Corporation is required to spend a further \$4,800,000 during 1984 to meet certain project obligations.

The Corporation has guaranteed, to the extent of \$780,000, the performance of an investee company.

### 3. Government Assistance

The Corporation received government assistance which is applied to reduce certain costs as follows:

	1983	1982
	(000's)	
Interest expense on notes due to Sun Note Corporation	\$45,583	\$45,053
Other investments	\$ 2,668	\$ 2,573

### 4. Long-term Debt

The notes due to the Sun Note Corporation are payable in 20 semi-annual instalments, which commenced on June 15, 1982, of \$8,125,000 for each of the first ten instalments and \$24,375,000 for each of the remaining ten instalments. Interest is payable semi-annually at the rate of 14.357 per cent. The Treasurer of Ontario has stated that it is the intention of the Government of Ontario to ensure the Corporation has sufficient funds to pay the notes.

The amount due to the Treasurer of Ontario is a non-interest-bearing demand loan. It is not the intention of the Treasurer of Ontario to demand payment of the loan in the forthcoming year.

Interest on long-term debt of \$43,640,000 was incurred during the year and recovered by way of assistance from the Government of Ontario (see Note 3). Additional assistance from the Government of Ontario of \$1,943,000 was accrued at year end.

	1983	1982
	(000's)	
Notes due to Sun Note Corporation	\$292,500	\$308,750
Due to Treasurer of Ontario	325,000	325,563
	617,500	634,313
Less portion due within one year	16,250	16,325
	\$601,250	\$617,988

### 5. Share Capital

	1983	1982
	(000's)	
Share capital		
Authorized		
2,000,000 common shares		
20,000,000 non-voting special shares		
Issued and fully paid		
2,000,000 common shares	\$100,000	\$100,000
Less		
915,888 (1982 - 1,533,327) common shares held in treasury at cost	45,794	76,666
	\$ 54,206	\$ 23,334

During 1983, 617,439 shares held in treasury were sold for cash of \$30,872,000 including 460,000 shares sold pursuant to a five-year agreement signed during the year in which the Corporation's shareholder agreed to purchase out of appropriated funds \$23 million of equity in the Corporation for each of the years 1983-1987 inclusive.

### 6. Related Parties

The salary of an officer of the Corporation was paid by the Province of Ontario.

### **Metric Conversion Guide**

Crude oil, refined products, etc.

1 m<sup>3</sup> (cubic metre) = 6.29 barrels  
(approx.)

Natural gas

1 m<sup>3</sup> (cubic metre) = 35.49 cubic  
feet (approx.)

1 hectare = 2.47 acres (approx.)

1 km (kilometre) = 0.62 miles  
(approx.)

1 cm (centimetre) = 0.39 inches  
(approx.)

1 tonne = 0.98 tons (approx.)

Ontario Energy Corporation  
101 Bloor St. W., 5th Floor, Toronto, Ontario M5S 1P7  
Telephone: (416) 926-4200. Telex: 06-218165.

Printed in Canada

Ontario Energy Corporation  
Annual Report 1984





# THE YEAR'S HIGHLIGHTS

Net income in 1984 was \$13.1 million.

Participation in 18 frontier oil and gas wells with six discoveries and two successful step-out wells; three wells were still drilling at year-end.

Participation in 18 exploratory wells in Ontario with nine oil discoveries.

Participation in 33 exploratory wells in western Canada with 11 oil and seven gas discoveries.

Five new energy technology investments with private sector partners.

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<b>ENERGY OUTLOOK</b>	<b>4</b>
<b>OIL AND GAS EXPLORATION</b>	<b>5</b>
ONEXCO OIL & GAS LTD. (Onexco)	
Frontier: <i>Trillium Exploration Corporation, Hudson Bay</i>	
Western Canada: <i>Triweb Resources, Mannville Oil &amp; Gas</i>	
Ontario: <i>Consumers' Gas, Canadian Oxy/Petro-Canada</i>	
ONTARIO ENERGY RESOURCES LTD. (OERL)	
ONEXCO MINERALS LTD.	
<b>ENERGY TECHNOLOGY</b>	<b>11</b>
ONTARIO ENERGY VENTURES LIMITED (OEV)	
Energy from Waste: <i>Endwaste, Hamilton Garbage Electric Generator, Energreen, Omnifuel</i>	
Energy Management: <i>Petrosave, G.K. Fleming &amp; Associates, Bishop Fibretek, Eneroil Research, Eneroil Sales</i>	
Enhanced Oil Recovery Technology: <i>Amerigo</i>	
Oil Substitution: <i>Deltx Windpump, Polar Gas</i>	
Transportation: <i>OVPO, Teleride, Sage, Selachii</i>	
Other: <i>Bio-hol</i>	
<b>FINANCIAL STATEMENTS</b>	<b>15</b>
<b>MANDATE</b>	<i>Inside Back Cover</i>
<b>MISSION</b>	<i>Inside Back Cover</i>

# PRESIDENT'S REPORT

Ontario Energy Corporation (OEC) continued its strong performance in 1984 with net income of \$13.1 million, 12.6 per cent higher than 1983.

The Corporation currently has 24 investments, of which 23 are with private sector partners. Of these, 17 are energy technology investments while seven involve oil and gas exploration. Five new technology investments were made in 1984.

Continued emphasis on cost controls resulted in net operating expenses being 15 per cent under budget. The Corporation had 18 full-time staff in 1984, down from 23 in 1983.

## OIL AND GAS EXPLORATION

The Corporation's subsidiary, Onexco Oil & Gas Ltd., had significant success during the year with its oil and gas joint ventures in Ontario and Western Canada. In all, Onexco participated in 51 exploratory wells which resulted in 20 oil and seven gas discoveries.

Likewise, Trillium Exploration Corporation had a highly successful 1984 frontier exploration program, participating in 18 wells, with six discoveries and two successful delineation wells; three wells were still drilling at year-end. Since its inception in late 1982, Trillium has been involved in nine hydrocarbon discoveries.

Current plans call for Trillium to participate in up to 18 wells during 1985.

## SUNCOR

In June, Suncor successfully completed the construction and start-up of the hydrocracker unit at its Sarnia refinery. This project, which will enhance the company's future financial performance, generated significant direct industrial benefits for Ontario. Suncor continued to show strong financial growth during 1984, posting a net income of \$123.7 million for the year, up eight per cent over 1983. During the year, OEC received \$10.4 million in dividends from Suncor.

## ENERGY TECHNOLOGY

Ontario Energy Ventures Limited (OEV), the Corporation's venture capital subsidiary, invested with private sector partners in five new technology ventures during the past year. These included investments in a new energy conservation fibre, a highly efficient windpump, a high-efficiency oil furnace, an energy from waste joint venture, and in enhanced oil recovery (EOR) technology. This brings to 17 the Corporation's venture capital investments in energy technology.

OEV continued to concentrate on energy from waste, energy management, enhanced oil recovery technology, substitution and transportation investments.

Two of OEV's investments - Teleride and Sage - are now acknowledged to be leaders in computer technology for the transit industry in North America.

## ENERGY AND INDUSTRIAL BENEFITS

The energy sector is a key component of Canada's economic growth and Ontario is a major beneficiary of investment in this sector. For example, the construction of the hydrocracker at Suncor's Sarnia refinery created 1,000 construction jobs at peak and 100 new operating positions. In addition, 185 Canadian companies, 160 of which are in Ontario, received contracts for goods and services. The hydrocracker reduces crude oil feedstocks and effectively saves nine million barrels of crude oil per year.

Oil and gas investment in western Canada also generates significant economic benefits for Ontario. A recent study conducted for the Independent Petroleum Association of Canada concluded that 33 per cent of the benefits from oil and gas investment accrues to central Canada.

## CHANGES TO BOARD

During the year, Mr. Philip Lind resigned from the OEC Board of Directors. The Board expressed its appreciation to Mr. Lind for his advice and counsel.

The Board also wishes to express its appreciation to the Corporation's dedicated staff. Over the past four years, the productivity of the Corporation has increased significantly as a direct result of their untiring efforts.

Respectfully submitted on behalf of the Board:

*Malcolm Rowan*

Malcolm Rowan,  
President and Chief Executive Officer

# BOARD OF DIRECTORS

**David L. Campbell**

*President,*

David L. Campbell Ltd., Consultant

**Pierre Genest, Q.C.\***

*Senior Partner,*

Cassels, Brock & Blackwell,  
Barristers and Solicitors

**George C. Hitchman\*\***

*Corporate Director*

**W. Edwin Jarmain\***

*President,*

Jarmain Communications Inc.

**M. Theresa McLeod\*\***

*Vice President and Director,*

Merrill Lynch Canada Inc.

**David Melnik, Q.C.\*\***

*President and Chief Executive Officer,*

Vanguard Trust

**Gerald E. Nori, Q.C.**

*Partner,*

Wishart, Noble, Barristers and Solicitors

**Malcolm Rowan\***

*President and Chief Executive Officer,*

Ontario Energy Corporation

\* Also a Director of Suncor

\*\* Audit Committee

## OFFICERS

**W. Edwin Jarmain,**

*Chairman*

**Malcolm Rowan,**

*President and Chief Executive Officer*

**Peter Szego,**

*Vice President, Energy Investments*

**Robert Law, Q.C.,**

*Corporate Counsel and Secretary*

**Janet C. McNally,**

*Assistant Secretary*

## AUDITORS

**Deloitte Haskins & Sells**

*The OEC Board: (left to right)  
David L. Campbell, M. Theresa  
McLeod, Malcolm Rowan, George  
C. Hitchman, Gerald E. Nori,  
W. Edwin Jarmain (Chairman),  
Pierre Genest*



# ENERGY OUTLOOK

The outlook for the Canadian oil industry is uncertain. Non-OPEC oil production is expected to continue to increase until around the early 1990's, at which time it is forecast that non-OPEC production will supply around 60 per cent of the world demand. Demand for OPEC oil during this period will be relatively flat. In real terms, the price of oil is expected to continue to fall through 1990.

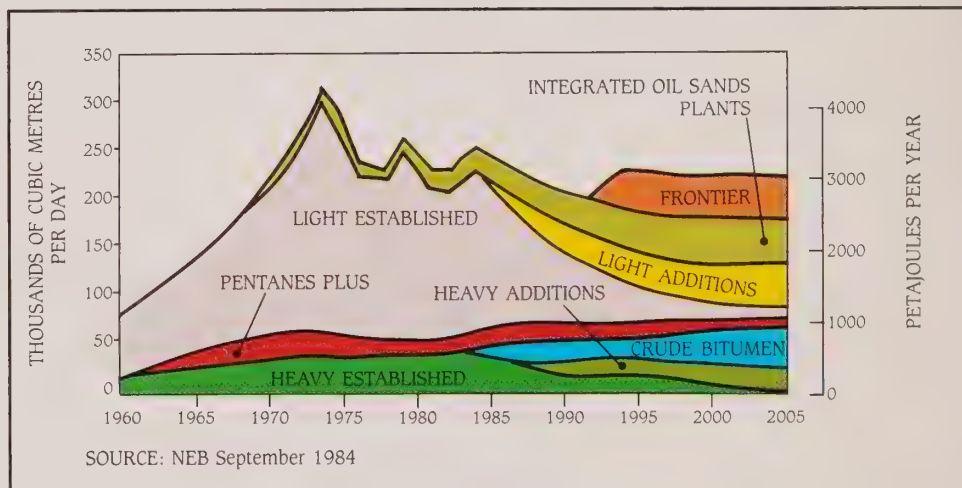
In the short term, world crude oil prices will reflect OPEC's ability to discipline itself by maintaining production quotas and avoiding price discounts. Increasing supplies of refined petroleum products from new Middle-East refineries are likely to result in added uncertainty and instability in the marketplace.

Canadian energy and fiscal policies will be challenged. The short-term oil price outlook suggests to some that Canada should rely more on offshore supplies and reduce Canadian production and incentives. Indeed, Canada's energy policy is currently undergoing a rigorous review at a time when its conventional reserves are declining rapidly. By 1995, the country is expected to require 250,000 barrels (39 745 m<sup>3</sup>) of oil a day more than it produces (about 16 per cent of its needs).

The longer-term international oil supply and price outlook, beyond 1990, suggests the need for the maintenance of a strong indigenous Canadian petroleum industry based on active development of conventional oil, oil sands and heavy oil, and frontier oil reserves. By 1995, OPEC producers are expected to increase their share of the world market to 48 per cent, giving them greater opportunity to control prices.

The charts below set out the oil supply issues facing Canada in the years ahead.

*Production History and Projected Productive Capacity of Crude Oil and Equivalent (Canada)*



*Canadian Oil Supply/Demand<sup>1</sup>*

	(thousand barrels per day)		
	1985	1995	2000
<b>Demand<sup>2</sup></b>	<b>1,420</b>	<b>1,580</b>	<b>1,734</b>
<b>Base Supply</b>			
Light conventional	1,085	603	465
Heavy oil	229	170	161
Synthetic - existing	157	157	157
Bitumen	44	157	189
Less - heavy oil exports <sup>3</sup>	(173)	(227)	(250)
Total base supply	1,342	860	722
<b>Deficit on Base Supply</b>	<b>(78)</b>	<b>(720)</b>	<b>(1,012)</b>
<b>New Supply</b>			
Frontier	-	276	276
Synthetic - new	-	85	126
Heavy oil upgraders	-	45	45
Total new supply	-	406	447
<b>Demand Shortfall</b>	<b>(78)</b>	<b>(314)</b>	<b>(565)</b>

## Notes:

1. NEB (September 1984) unless otherwise noted.
2. Recent EMR estimates.
3. Domestic demand deemed to be 100,000 barrels per day.

# OIL AND GAS EXPLORATION



K. Wayne Brush, Vice President

Trillium's 1984 Successful Wells

## ONEXCO OIL & GAS LTD.

During 1984, Onexco Oil & Gas Ltd. undertook an active exploration and development program in Canada's frontier regions, through Trillium Exploration Corporation, and in western Canada and southwestern Ontario, in joint ventures with private sector oil and gas companies. Production at year-end was 50 barrels (8 m<sup>3</sup>) of oil per day and 400,000 cubic feet (11 270 m<sup>3</sup>) of natural gas per day. Oil production increased to 235 barrels per day during the first quarter of 1985.

### FRONTIER

#### Trillium Exploration Corporation

Trillium, a joint exploration corporation, was formed in 1982 and is owned by Onexco Oil & Gas Ltd. (66.67 per cent) and by Suncor Inc. (33.33 per cent).

During 1984, Trillium participated in 18 wells which resulted in six new discoveries, two successful delineation wells, seven dry holes and three wells (Nipterk L-19, Amerk O-09 and Albatross B-13) drilling at year-end.

In addition, through its investment in Panarctic Oils Ltd., Trillium also participated in two offshore wells in the Arctic Islands: Skate C-59, an oil and gas discovery, and Cisco M-22 which was plugged and abandoned.

Area	Date	Trillium's Working Interest	Well Operator	Test Results (Maximum Flow Rates)
Beaufort Sea/Mackenzie Delta				
West Tuk M-09	May 1984	2.4%	Esso/Home	924 bbl/d*; 17.4 Mmcf/d
Kadiuk O-17	Apr 1984	3.0%	Esso/Home	14.5 Mmcf/d
Adgo H-29	Jan 1985	18.0%	Esso/Home	837 bbl/d; 21.6 Mmcf/d
Offshore Newfoundland				
Terra Nova K-08	Jul 1984	5.0%	Petro-Canada	5,200 bbl/d; 4.0 Mmcf/d
Beothuk M-05	Jan 1985	5.0%	Canterra	1,432 bbl/d
Offshore Nova Scotia				
Uniacke G-72	Apr 1984	3.0%	Shell	147 bbl/d*; 20.6 Mmcf/d
Alma F-67	Jul 1984	4.0%	Shell	373 bbl/d*; 29.9 Mmcf/d
Arctic Islands				
Skate C-59	Jul 1984	**	Panarctic	172 bbl/d; 16.3 Mmcf/d

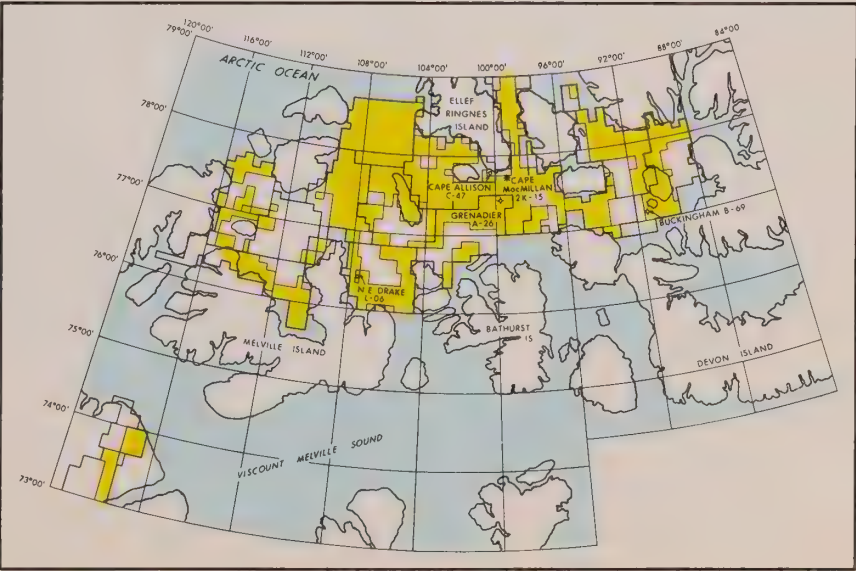
\* Condensate    \*\* Through Panarctic share purchase

### ARCTIC ISLANDS

**Suncor Inc.:** Through a farm-in agreement with Suncor in the Arctic Islands offshore, Trillium has an 11.05 per cent interest in the Panarctic-operated Buckingham O-68, a well spudded in 1983 and completed in 1984. Buckingham had oil shows which were not considered commercial. Two offshore wells are planned for the Arctic Islands in 1985: Cape Allison C-47 and North East Drake L-06. In addition, one onshore well will be drilled at Lougheed Island.

Arctic Islands  
Trillium Interest Acreage

- Panarctic/Suncor et al
- 1984 drilling locations
- E.A. Boundary





West Tuk M-09 gas and condensate discovery, Beaufort Sea/Mackenzie Delta Region. (Courtesy Esso Resources Canada Ltd.)

**Panarctic Equity Participation:** In 1984, Trillium completed a flow-through share agreement to purchase a five per cent equity interest in Panarctic Oils Ltd. During the 1983/1984 drilling season Trillium, through its interest in Panarctic, was involved in the Skate C-59 gas and oil delineation well and the Cisco M-22 delineation well. Skate C-59 flowed gas at rates up to 16.3 million cubic feet (459 000 m<sup>3</sup>) per day and oil at rates up to 172 barrels (27 m<sup>3</sup>) per day. The Cisco M-22 well was plugged and abandoned as a dry hole.

The latest estimate puts Panarctic's reserves at 492 million barrels (78 million m<sup>3</sup>) of oil, 60 million barrels (9.5 million m<sup>3</sup>) of natural gas liquids and 17.4 trillion cubic feet (0.5 trillion m<sup>3</sup>) of natural gas.

#### BEAUFORT SEA/MACKENZIE DELTA

**Esso Resources Canada Ltd. – Beaufort Exploration Project:** West Tuk M-09, Kadluk O-07 and Nuna A-10 commenced drilling in 1983 and were completed in 1984. West Tuk M-09, in which Trillium has a 2.44 per cent working interest, flowed gas at rates up to 17.46 million cubic feet (492 000 m<sup>3</sup>) per day and condensate up to 924 barrels (148 m<sup>3</sup>) per day. Kadluk O-07, in which Trillium has a 3.0 per cent working interest, flowed gas at rates up to 14.5 million cubic feet (409 000 m<sup>3</sup>) per day. Nuna A-10 did not have hydrocarbon shows.

During 1984, two additional offshore wells were started: Amerk O-09 located 30 miles (18.6 kilometres) offshore and Nipterk L-19 located 50 miles (31 kilometres) to the west of Amerk. Plans have also been finalized for two onshore exploratory locations: Itkrilek B-52 and West Taglu H-06. A delineation well West Tuk J-29 will begin drilling in early 1985.

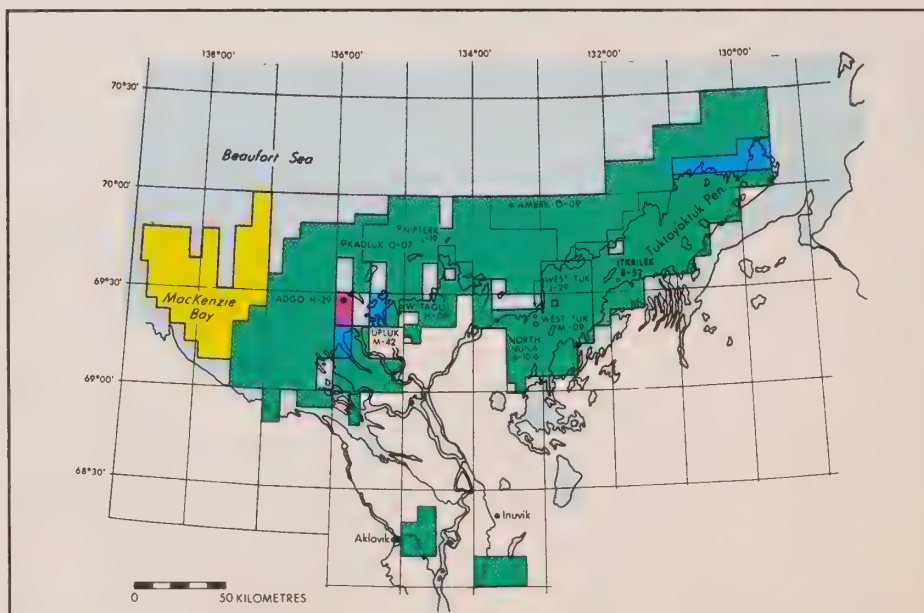
**Esso Resources Canada Ltd. – Adgo Delineation Project:** During 1984, Esso/Trillium Adgo H-29 was drilled, a step-out delineation well on the Adgo structure. Adgo H-29 flowed gas at rates up to 21.61 million cubic feet (609 000 m<sup>3</sup>) per day and oil at 837 barrels (133 m<sup>3</sup>) per day. A further delineation well is planned in 1985. Trillium has an 18 per cent working interest in the Adgo structure.

**Chevron Resources Canada Ltd. – Upluk/Ellice/Russel Projects:** During 1984, Trillium successfully concluded farm-in negotiations with Chevron to explore their three Exploration Agreement areas in the Mackenzie Delta and on the Tuktoyuktuk Peninsula. Plans have been finalized for the acquisition of seismic data and the drilling of the first well, Chevron/Trillium Upluk L-42, adjacent to the Garry oil and gas discovery. The seismic programs commenced in January 1985 and the well is expected to start during the first quarter of 1985.

In the western Beaufort Sea, Trillium was involved in acquiring a seismic program with Suncor-Gulf in an area covering some 985,000 acres (399 000 hectares).

#### Beaufort Sea Mackenzie Delta Region Trillium Interest Acreage

- Esso-Exploration Project
- Esso-Adgo significant discovery area
- Suncor-Gulf pool acreage
- Chevron acreage
- 1984 drilling locations

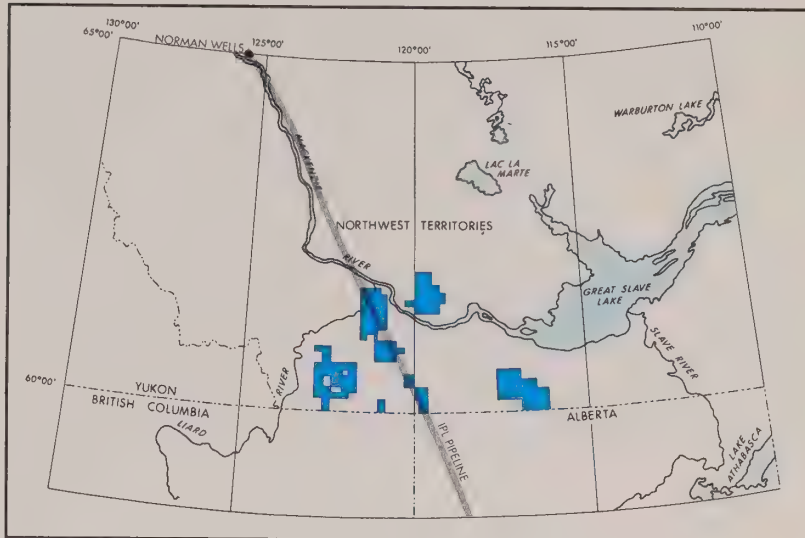


## NORTHWEST TERRITORIES

During 1984, Trillium started negotiations with Petro-Canada to participate in exploration in the Northwest Territories on approximately 4,288,000 acres (1 736 000 hectares) of land. Seismic will be undertaken during 1985 followed by a three well drilling program in 1986 and 1987.

Northwest Territories  
Trillium Interest Acreage

 Pex / Westcoast / Trillium



## OFFSHORE NEWFOUNDLAND

*Petro-Canada – Terra Nova:* Trillium's offshore Newfoundland program made a significant discovery at Terra Nova K-08 in 1984. Located 20 miles (32 kilometres) southeast of the Hibernia oil field, the Terra Nova K-08 cumulative flow rate from four zones was 11,200 barrels (1 781 m<sup>3</sup>) per day with gas flowing at rates varying up to four million cubic feet (113 000 m<sup>3</sup>) per day. Trillium has a five per cent interest in Terra Nova K-08. With these encouraging results, four additional wells were drilled in the Terra Nova area: Terra Nova K-18, Voyageur J-18, Port-au-Port J-97 and Beothuk M-05. The Terra Nova K-18 well was a non-commercial oil well and the Voyageur J-18 well did not warrant testing. The Beothuk M-05 well, yielded oil with the highest single flow rate at 1,432 barrels (228 m<sup>3</sup>) per day. The Port-au-Port J-97 well was dry. Trillium holds a five per cent interest in these wells, except Voyageur J-18 in which Trillium holds a 1.25 per cent interest.

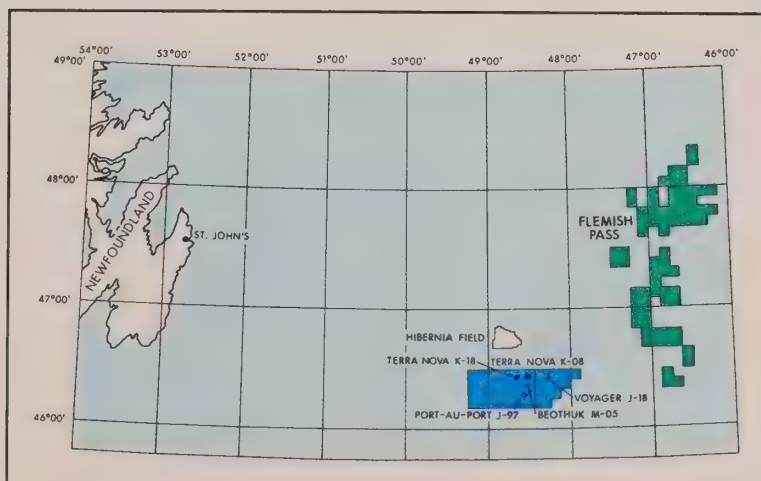
*Esso Resources Canada Ltd. – Flemish Pass Basin:* Trillium concluded an agreement with Esso Resources Canada Ltd. on approximately 2.2 million acres (890 000 hectares) in the Flemish Pass Basin. A seismic program was completed during 1984 and one well is planned for 1985 with a second in 1986. After completion of the earning program, Trillium will hold an eight per cent working interest in this area.

Offshore Newfoundland  
Trillium Interest Acreage

 Pex / Trillium et al

 Esso / Trillium et al

 1984 drilling locations

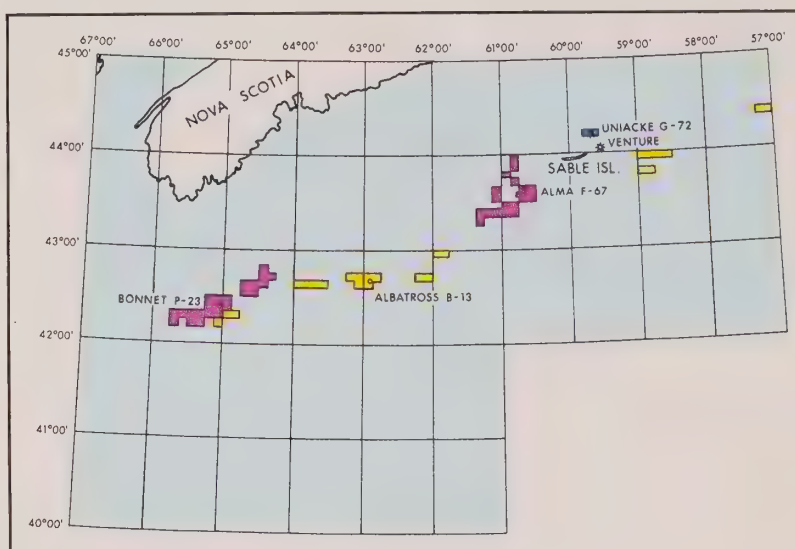


## OFFSHORE NOVA SCOTIA

Trillium participated in three wells offshore Nova Scotia during the 1984 season: Uniacke G-72, Alma F-67 with Shell as operator and Bonnet P-23 operated by Petro-Canada. Uniacke G-72 and Alma F-67 are both gas and condensate discoveries. Uniacke G-72 flowed gas at rates up to 20.6 million cubic feet (580 000 m<sup>3</sup>) per day with condensate up to 147.3 barrels (23 m<sup>3</sup>) per day. Trillium has a three per cent interest in this well. The Alma F-67 well flowed gas at rates up to 29.87 million cubic feet (842 000 m<sup>3</sup>) per day with 373 barrels (59 m<sup>3</sup>) per day of condensate. Trillium has a four per cent interest in this well. Bonnet P-23 did not encounter hydrocarbons. Albatross B-13, a well operated by Petro-Canada, located 170 miles (274 kilometres) southwest of Sable Island, started drilling in December 1984 and will be completed in 1985. The 1985 program will include one delineation well offsetting the Alma F-67 discovery.

### Offshore Nova Scotia Trillium Interest Acreage

- Shell/Canterra
- Shell/Pex
- Shell/Pex Suncor et al
- 1984 drilling location



## LABRADOR SHELF

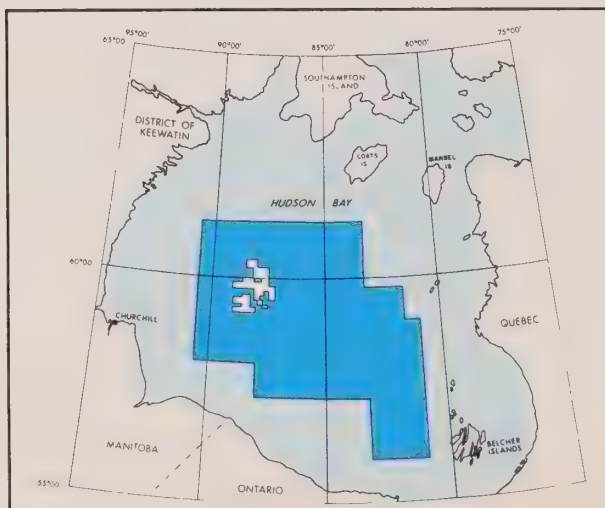
No new work was carried out in the exploration of this area.

## Hudson Bay

The Hudson Bay joint venture was restructured in 1984 with the resulting interests in the Exploration Agreement: Onexco 22.5 per cent, Trillium 22.5 per cent, Sogepet/Soquip 45.0 per cent, Canadian Occidental Petroleum Ltd. 10.0 per cent. At year-end, planning was in progress for drilling in 1985. In addition, discussions were underway with Canterra Energy Ltd. and ICG Resources Ltd. on participation in the program. Farm-in arrangements were subsequently concluded in March 1985.

### Hudson Bay Onexco Interest Acreage

- Onexco/Trillium et al



Exploratory drilling in southern Alberta. (Courtesy of Triweb Resources Ltd.)



WESTERN CANADA

The company is participating with Mannville Oil & Gas Ltd. and Triweb Resources Ltd. (formerly L.K. Oil & Gas Ltd.) in oil and gas exploration in northeastern British Columbia, northern and southern Alberta, and the eastern and central portions of Saskatchewan. During 1984, a total of 33 exploratory wells were drilled, with 11 completed as oil discoveries and seven as gas discoveries.

Western Canada  
■ Onexco Oil & Gas Ltd.  
exploration programs

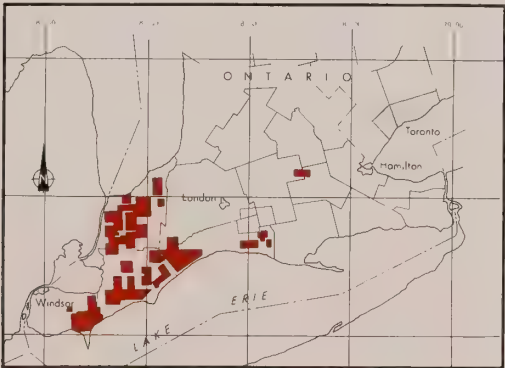


ONTARIO

During 1984, Onexco continued its participation in a joint venture exploration program with Consumers' Gas Company Ltd. on lands in southern Ontario. A total of 18 wells were drilled, of which nine were completed as oil discoveries.

Since 1982, Onexco has also been part of an exploration joint venture with Canadian Occidental Ltd. and Petro-Canada in southwestern Ontario. No exploration was undertaken by the group during 1984.

Ontario  
■ Onexco Oil & Gas joint  
interest lands



## ONTARIO ENERGY RESOURCES LTD. (OERL)

Ontario Energy Resources Ltd. holds the Ontario government's 25 per cent interest in Suncor Inc. Suncor continued to show strong performance in 1984 as earnings rose eight per cent over 1983, from \$114.3 million to \$123.7 million.

During 1984, investments were made which will strengthen Suncor's long-term profit potential. Production at the Fort McMurray oil sands plant was stable throughout the year and, in December, Suncor announced plans to invest an additional \$500 million over the next five years to further improve productive capacity and reliability. In order to expand its hydrocarbon resource base, in 1984 Suncor substantially increased its investment in exploration and development activity in Western Canada. This pace of development will be further accelerated in 1985.

In June 1984, Suncor's Sarnia refinery upgrading project was completed, ahead of schedule and under budget. The new hydrocracker complex makes the Sarnia facility one of the most flexible and efficient in the country and increases the profit potential of the company's downstream operations. In addition, the project created over 1,000 jobs when construction was at its peak and 100 new operating positions. Between 1982 and 1984, 160 Ontario companies received supply and service contracts, with a total value over \$100 million.

*Overview of Suncor's refinery in Sarnia, Ontario. (Courtesy of Suncor Inc.)*



## ONEXCO MINERALS LTD.

Onexco Minerals Ltd. is a wholly-owned subsidiary involved in minerals exploration in Ontario. Onexco Minerals completed a three-year lignite exploration program in the James Bay Lowlands in 1983 and received a licence extension for an additional three years. Although Onexco Minerals did not undertake field activity during 1984, it continued to monitor new lignite mining and processing technologies which may be applicable to the commercial development of the deposit.



*Peter Szego, Vice President*

## ONTARIO ENERGY VENTURES LIMITED (OEV)

During 1984, OEV invested, along with private sector partners, in five new energy technology ventures. This brought the number of technology investments in OEV's portfolio to 17.

Most of these investments are in their start-up phase. Each investment, however, can be placed in one of five areas of investment emphasis:

- energy from waste,
- energy management,
- enhanced oil recovery technology,
- substitution, and
- transportation.

### ENERGY FROM WASTE

OEV has five energy from waste (EFW) investments. Over the past few years, OEV has dedicated a major effort to promoting new approaches to waste management, complementing the initiatives of the Ontario Ministries of Energy and the Environment.

More specifically, OEV's EFW investments are:

**Endwaste:** In a joint venture with Tricil Limited, OEV formed Endwaste to invest in new energy from waste plants which support the recycling, reduction, re-use and recovery of solid waste in Ontario.

**Hamilton Garbage Electric Generator:** Also a joint venture with Tricil Limited, OEV invested in a steam-driven turbo-electrical generator at the Solid Waste Reduction Unit (SWARU) facility in Hamilton.

The turbine is designed to produce 14 million kilowatt hours of electricity annually from the burning of about 400 tons (363 tonnes) of garbage daily, enough to heat 620 to 875 homes in the Hamilton area.

**Energreen:** This investment concentrates on the commercial application of waste heat in horticulture.

Energreen Enterprises Inc. operates a 1.4-acre (0.57-hectare) greenhouse near Ramore in northern Ontario, heated by hot exhaust gases from a nearby TransCanada PipeLines natural gas pumping station.

In 1984, seven million tree seedlings were grown for the Ministry of Natural Resources' reforestation program. In addition, the company produced 1,000 pounds (454.5 kilograms) of tomatoes a week during part of the year. In 1984, a 0.5-acre (0.2-hectare) expansion of the greenhouse was started so that the facility can diversify into other crop areas.

*Energreen's greenhouses (foreground) and tree holding area (background).*



**Omnifuel:** Omnifuel engineers complex systems using fluidized bed gasifiers to produce alternate fuels from forest and agricultural residues and municipal waste.

#### ENERGY MANAGEMENT

OEV has four energy conservation-oriented investments. These include:

**Petrosave:** Petrosave Inc. is Ontario's leading supplier of Thermal Management Services (TMS) and has \$2 million worth of annual energy budgets under contract with the municipalities of Mississauga and Oshawa and with Maple Leaf Gardens. Under a TMS agreement, Petrosave:

- assumes responsibility for providing a building's energy requirements;
- provides the capital for and supervises the installation of new energy-conserving equipment and modifications;
- maintains the equipment that has been installed;
- pays all energy utility bills on behalf of the building's owner.

**G.K. Fleming & Associates:** Fleming designs and installs computer software. In 1984, development work began on an Energy Conservation and Management System. The system is now being demonstrated in a large northern Ontario integrated pulp and paper mill. The energy savings expected with this system are considerable, having application in a wide variety of other industries.

**Bishop Fibretek:** Bishop is developing and marketing a new type of fibre-Biswool. Biswool has various energy-related uses, such as improved insulation for homes, refractory bricks for industrial furnaces, reinforcement in plastics used in cars and reinforcement in concrete as well as a replacement for asbestos.

Bishop also produces and markets conventional mineral wool fibre, made out of the waste slag of iron foundries, for use in insulation, ceiling tiles, and fire-proofing.

**Eneroil Research:** Eneroil Research Limited is a product development company specializing in energy conserving products, such as high-efficiency domestic heating equipment using oil and gas. The first product under development, a condensing unit which can be added to home oil furnaces to dramatically increase their efficiency (by up to 40 per cent), has received Canadian Standards Association approval. This furnace add-on is the first of its kind in Canada.

**Eneroil Sales:** Eneroil Sales Inc. markets domestic energy-conserving equipment.

#### ENHANCED OIL RECOVERY TECHNOLOGY

In 1984, OEV invested in chemically-enhanced oil recovery technology – an innovative method of unlocking oil from the ground.

**Amerigo:** Amerigo Technology Limited is a leading Canadian chemical research and development company specializing in enhanced oil recovery. Its products are applicable to both conventional and heavy oil reserves. Enhanced oil recovery can result in the production of considerable additional volumes of oil (up to 20 per cent).

In December, Amerigo concluded an agreement with Westar Petroleum Ltd. to construct and operate a \$2 million waterflood pilot project in the Dodsland Field of Saskatchewan using Amerigo EOR technology. The pilot project start-up is anticipated in early 1985.

#### OIL SUBSTITUTION

OEV has two oil substitution investments. These are:

**Deltx Windpump:** In association with Alberta Ventures Fund Limited and Abax Energy Services Ltd., OEV invested in Deltx Windpump Corporation to assist this company to commercialize a new type of wind-powered water pump.

*Opposite Deltx Windpump 50, capable of pumping 24,000 gallons (109 000 litres) of water per minute. (Courtesy of Deltx Windpump Corporation.)*



**Polar Gas:** Since 1975, OEC has participated with TransCanada PipeLines Ltd. (the project manager), Panarctic Oils Ltd., Tenneco Energy Ltd. and Petro-Canada in the Polar Gas Project.

In June 1984, Polar Gas filed applications with the National Energy Board and the Department of Indian Affairs and Northern Development to build a natural gas pipeline from the Mackenzie Delta area to a point near Edson, Alberta. It is anticipated that regulatory reviews will be undertaken during 1985. If the necessary approvals are obtained, construction could begin as early as 1986 with natural gas flow beginning in 1991.

In addition to connecting frontier natural gas supplies for future use by Canadians, the project will generate significant industrial benefits for Canada and Ontario. The estimated capital cost of the 1,333-mile (2 150-kilometre), 36-inch (92-centimetre) diameter pipeline is \$3.2 billion (1984 dollars). It is expected that 90 per cent (\$2.9 billion) of the investment will be spent on Canadian goods and services. A significant share of these expenditures will be made in Ontario.

### TRANSPORTATION

OEV has four transportation investments. These include:

**Ontario Van Pool Organization (OVPO):** The OVPO fleet consists of 33 12-passenger vans providing a commuter vanpool service across the province. Its objective is to demonstrate and evaluate the commercial viability of third-party vanpooling. It is expected that the demonstration will be complete in 1985.

**Teleride/Sage:** Both Teleride Corporation and Sage Transportation Management Systems Limited design and install computer software for the public transit industry. The objective of their systems is to increase and improve transit ridership, which benefits the transit company as well as conserves energy.

**Selachii:** Selachii International Limited has developed and is testing an alternative to conventional carburation for internal combustion engines. The Selachii Controlled Pressure Induction (CPI) fuel delivery system has the potential to reduce fuel consumption by four to eight per cent while significantly increasing engine performance. The CPI can also be used with various alternative fuels, including gas/alcohol mixtures.

The company carried out extensive laboratory testing of the Selachii Mark II prototype (suitable for non-automotive applications) in 1984 and will complete the final field testing early in 1985.

### OTHER

**Bio-hol:** Bio-hol is a joint venture between OEV and Weston Energy Resources Ltd. Its objective is to demonstrate the production of fuel-grade ethanol from wood residues, using micro-biological fermentation techniques. Ethanol can be used as a gasoline/alcohol mixture, and could reduce Ontario's need for crude oil.



*Ontario Van Pool 12-passenger commuter van.*

# FINANCIAL STATEMENTS



## PREPARATION AND REVIEW OF THE FINANCIAL STATEMENTS

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is also responsible for the other information in the Annual Report, which is consistent with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditors at least twice each year to satisfy itself that management's responsibilities are being properly discharged and to review annually the financial statements.

The external auditors, Deloitte Haskins & Sells, conduct an independent examination, in accordance with generally accepted audited standards, and express their opinion on the financial statements. The auditors' examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and other procedures are conducted to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board. The Provincial Auditor has access and reviews from time to time the working paper files of the external auditors.

## AUDITORS' REPORT

### TO THE SHAREHOLDER OF ONTARIO ENERGY CORPORATION

We have examined the consolidated balance sheet of Ontario Energy Corporation as at December 31, 1984 and the consolidated statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Deloitte Haskins & Sells*

Auditors  
March 29, 1985

# CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1984

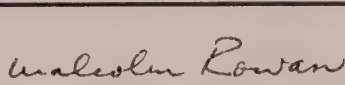
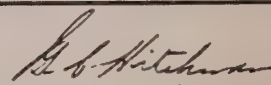
	1984	1983
	(000's)	
REVENUE		
Interest	\$ 2,279	\$ 2,381
Production	529	-
	2,808	2,381
EXPENSES		
Production, operating and royalties	249	-
General and administrative	1,663	2,086
Depreciation, depletion and amortization	360	105
Interest (recovered) and bank charges	-	(1,848)
	2,272	343
INCOME BEFORE EQUITY ADJUSTMENT	536	2,038
EQUITY ADJUSTMENT IN INVESTMENTS	12,565	9,601
NET INCOME	13,101	11,639
RETAINED EARNINGS, BEGINNING OF YEAR - as previously reported	30,712	20,548
SUNCOR INC. ADJUSTMENT (Note 2)	9,475	8,000
RETAINED EARNINGS, END OF YEAR	\$53,288	\$40,187

## CONSOLIDATED BALANCE SHEET

December 31, 1984

	1984	1983
ASSETS		
CURRENT ASSETS	(000's)	
Cash, short-term deposits and accrued interest	\$ 5,034	\$ 15,532
Accounts receivable	1,512	637
Due from affiliated companies	49	27
Due from Treasurer of Ontario	-	168
	6,595	16,364
INVESTMENTS (Note 3)		
Suncor Inc.	650,670	648,004
Trillium Exploration Corporation	39,135	18,554
Polar Gas Project	18,337	17,580
Energy resource ventures	14,066	7,759
Energy technology ventures	7,700	3,751
	729,908	695,648
FIXED ASSETS	134	193
	\$736,637	\$712,205
LIABILITIES	1984	1983
CURRENT LIABILITIES	(000's)	
Accounts payable and accrued charges	\$ 228	\$ 312
Current portion of long-term debt	16,250	16,250
	16,478	16,562
LONG-TERM DEBT (Note 5)	585,000	601,250
	601,478	617,812
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (Note 6)	81,871	54,206
RETAINED EARNINGS	53,288	40,187
	135,159	94,393
	\$736,637	\$712,205

Approved by the Board:

  
 Malcolm Rowan, Director
   
 George C. Hitchman, Director

# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1984

	1984	1983
SOURCES OF WORKING CAPITAL	(000's)	
Operations		
Net income	\$ 13,101	\$ 11,639
Suncor Inc. dividends	10,449	10,449
Other dividends	20	-
Items not affecting working capital		
Depletion	186	-
Amortization - Suncor Inc.	17,810	18,441
Other	174	268
Equity in earnings of investments	(30,375)	(28,042)
	11,365	12,755
Loan repayment	278	-
Issue of common shares	27,665	30,872
	39,308	43,627
USES OF WORKING CAPITAL		
Additions to fixed assets	26	37
Reduction in long-term debt	16,250	16,738
Trillium Exploration Corporation investment	20,581	12,441
Polar Gas Project investment	757	837
Energy resource ventures	6,521	4,018
Energy technology ventures	4,858	1,156
	48,993	35,227
(DECREASE) INCREASE IN WORKING CAPITAL	(9,685)	8,400
WORKING CAPITAL DEFICIENCY, BEGINNING OF YEAR	(198)	(8,598)
WORKING CAPITAL DEFICIENCY, END OF YEAR	\$ (9,883)	\$ (198)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984

## 1. SIGNIFICANT ACCOUNTING POLICIES

The Ontario Energy Corporation invests in, or otherwise participates in, energy projects with a view to enhancing the availability of energy in Ontario. The Corporation's involvement in its investments is in a financing rather than an operating role.

### Basis of financial statement presentation

The consolidated financial statements include the accounts of the Ontario Energy Corporation and its subsidiaries except Trillium Exploration Corporation ("Trillium"). Trillium is actively involved in an exploration program for oil and gas and its operations are not of a financial nature. Accordingly, Trillium is accounted for using the equity method because consolidating the accounts would not be more informative. Summary information describing the financial position and activities of Trillium is included in Note 3 to these financial statements. Other investments are also accounted for using the equity method.

The full-cost method of accounting is used to account for the Corporation's investments in oil and gas exploration activities.

### Fixed assets

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over a period of 60 months; leasehold improvements are amortized over the terms of the leases.

### Income taxes

The Corporation and its wholly-owned direct subsidiaries and their wholly-owned direct subsidiaries are not subject to income tax so long as not less than 90 per cent of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario. Onexco Oil & Gas Ltd., which is a wholly-owned indirect subsidiary of the Corporation, is subject to income taxes.

### Pension plan

The Corporation has a pension plan covering all of its eligible employees. The unfunded pension costs thereunder amount to \$148,639 and will be funded and charged to operations over a period of 15 years in amounts determined by the plan's actuaries.

## 2. SUNCOR INC. ADJUSTMENT

In 1984 Suncor Inc. recognized a prior period adjustment of \$37.9 million resulting from a Federal government reduction in oil sands production taxation for the years 1982 to 1984. Suncor Inc.'s earnings were increased by \$5.9 million in 1983 and \$32 million in 1982. Ontario Energy Corporation accounted for its proportionate share of Suncor Inc.'s prior period adjustment.

## 3. INVESTMENTS

### Suncor Inc.

The Corporation owns 25 per cent of the shares of Suncor Inc. which is accounted for using the equity method. The difference between the cost of the shares and the underlying net book value of Suncor Inc., which relates primarily to oil and gas reserves, is being amortized using the unit-of-production method.

Summarized financial information of Suncor Inc. as at December 31 is as follows:

	1984	1983 (restated)
	(millions)	
<b>Financial information</b>		
Working capital	\$ 123	\$ 136
Total assets	\$2,386	\$2,168
Shareholders' equity		
Preferred shares	\$ 10	\$ 12
Common shares and retained earnings	1,252	1,171
	\$1,262	\$1,183
<b>Operations</b>		
Revenue	\$1,585	\$1,484
Net income	\$ 124	\$ 114
Dividends on common shares	\$ 42	\$ 42

### Trillium Exploration Corporation

The Corporation has a two-thirds interest in Trillium which was formed to explore for oil and gas in the frontier areas of Canada; Suncor Inc., which is owned 25 per cent by the Corporation, owns the other one-third.

The following is a summary of Trillium's financial position as at December 31:

	1984	1983
Assets	(000's)	
Current assets	\$38,486	\$23,174
Investment in Panarctic Oils Ltd. at cost	800	—
Property, equipment and exploration expenditures	27,298	10,355
	\$66,584	\$33,529
Liabilities		
Accounts payable and accrued liabilities	\$ 8,006	\$ 5,762
Shareholder advances		
Suncor Inc.	19,442	9,212
Ontario Energy Corporation	39,135	18,554
	66,583	33,528
Shareholders' equity	1	1
	\$66,584	\$33,529

Trillium has had no income or loss from operations and, because of its mandate to explore in the frontier areas, no income or loss is expected for a number of years.

Trillium is eligible for maximum Petroleum Incentives Program ("PIP") grants of 80 per cent of expenditures for the exploration for oil and gas in the frontier areas of Canada.

The Corporation has outstanding commitments to Trillium of approximately \$12 million (1985 - \$5.7 million). The funding of these commitments will be reduced by PIP grants to be received by Trillium.

### Polar Gas Project

The Corporation is one of five continuing participants in the Polar Gas Project, four of whom are presently providing funds, and accordingly bears 25 per cent of the ongoing research costs. The purpose of the project is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from areas in the Canadian Arctic to southern markets.

The Corporation is committed to fund its share of the Project's 1985 program amounting to \$950,000. Thereafter the Corporation is not obliged to continue to fund the Project. Should it choose not to do so its investment would be retained but its degree of interest would be diluted.

In the event a company is formed to build and operate transmission facilities, the Corporation's interest would be convertible into equity or debt of such company. Alternatively, under certain circumstances, the Corporation's investment may be repaid.

### Energy resource ventures

The Corporation is involved in a number of oil and gas exploration and development ventures in the frontier (Hudson Bay) and on provincial lands. Substantially all of these activities are conducted on a joint venture basis.

The Corporation has outstanding commitments of approximately \$25.8 million (1985 - \$21.2 million). The funding of these commitments will be reduced by PIP grants to be received by the Corporation. The Corporation is eligible for maximum PIP grants of 80 per cent of expenditures for the exploration for oil and gas in the frontier areas of Canada and 35 per cent for exploration on provincial lands.

### Energy technology ventures

The Corporation has invested in energy technology ventures of various types, many of which are in the development stage. These investments are typically in the form of a minority equity interest or debt.

Outstanding commitments to investees amount to \$3.9 million (1985 - \$3.8 million).

#### 4. GOVERNMENT ASSISTANCE

The Corporation received government assistance which is applied to reduce certain costs as follows:

	1984	1983
	(000's)	
Interest expense on notes due to Sun Note Corporation	\$ 41,304	\$ 45,583
Other investments	\$ 3,199	\$ 2,668

#### 5. LONG-TERM DEBT

	1984	1983
	(000's)	
Notes due to Sun Note Corporation	\$276,250	\$292,500
Due to Treasurer of Ontario	325,000	325,000
	601,250	617,500
Less portion due within one year	16,250	16,250
	\$585,000	\$601,250

The notes due to the Sun Note Corporation are payable in 20 semi-annual instalments, which commenced on June 15, 1982, \$8,125,000 for each of the first ten instalments and \$24,375,000 for each of the remaining ten instalments. Interest is payable semi-annually at the rate 14.357 per cent. The Treasurer of Ontario has stated that it is the intention of the Government of Ontario to ensure the Corporation has sufficient funds to pay the notes.

The amount due to the Treasurer of Ontario is a non-interest-bearing demand loan. It is not the intention of the Treasurer of Ontario to demand payment of the loan in the forthcoming year.

Interest of \$41,304,000 on long-term debt was incurred during the year and recovered by way of assistance from the Government of Ontario.

#### 6. SHARE CAPITAL

	1984	1983
	(000's)	
Share capital		
Authorized		
An unlimited number of common shares		
20,000,000 non-voting special shares		
Issued		
2,000,000 common shares	\$100,000	\$100,000
Less		
362,578 (1983 - 915,888) common		
shares held in treasury, at cost	(18,129)	(45,794)
	\$ 81,871	\$ 54,206

During 1984, 553,310 shares held in treasury were sold for cash of \$27,665,500 including 440,000 shares sold pursuant to a five-year agreement signed in 1983 in which the Corporation's shareholder agreed to purchase out of appropriated funds \$23 million of equity in the Corporation for each of the years 1983-1987 inclusive.

#### 7. CONTINGENT LIABILITY

One of the Corporation's subsidiaries is contingently liable as guarantor of one joint venture's bank indebtedness and another joint venture's performance bond guarantees up to a maximum of approximately \$2.3 million.

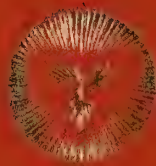
#### 8. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

#### 9. SUBSEQUENT EVENT - SUNCOR INC. INVESTMENT

In a judgement dated January 21, 1985, the Court of Queen's Bench of Alberta found in favour of Suncor Inc. in its dispute with Norcen International Limited ("Norcen"), a subsidiary of Norcen Energy Resources Limited. The issue in dispute was whether Suncor Inc. has an obligation to pay a sublease royalty to Norcen on compensation payments under the Federal Energy Administration Act in 1979 and subsequent years. Since the judgement may be appealed, Suncor Inc. and this Corporation have decided not to account for its financial impact to December 31, 1984, estimated to be \$30 million after tax, until the outcome is no longer subject to uncertainty. The Corporation's proportionate share of this contingent asset amounts to \$7.5 million.





**Ontario Energy Corporation**  
101 Bloor St. W., 5th Floor,  
Toronto, Ontario M5S 1P7  
Telephone: (416) 926-4200.  
Telex: 06-218165

Lacking 1985-1986



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- A56

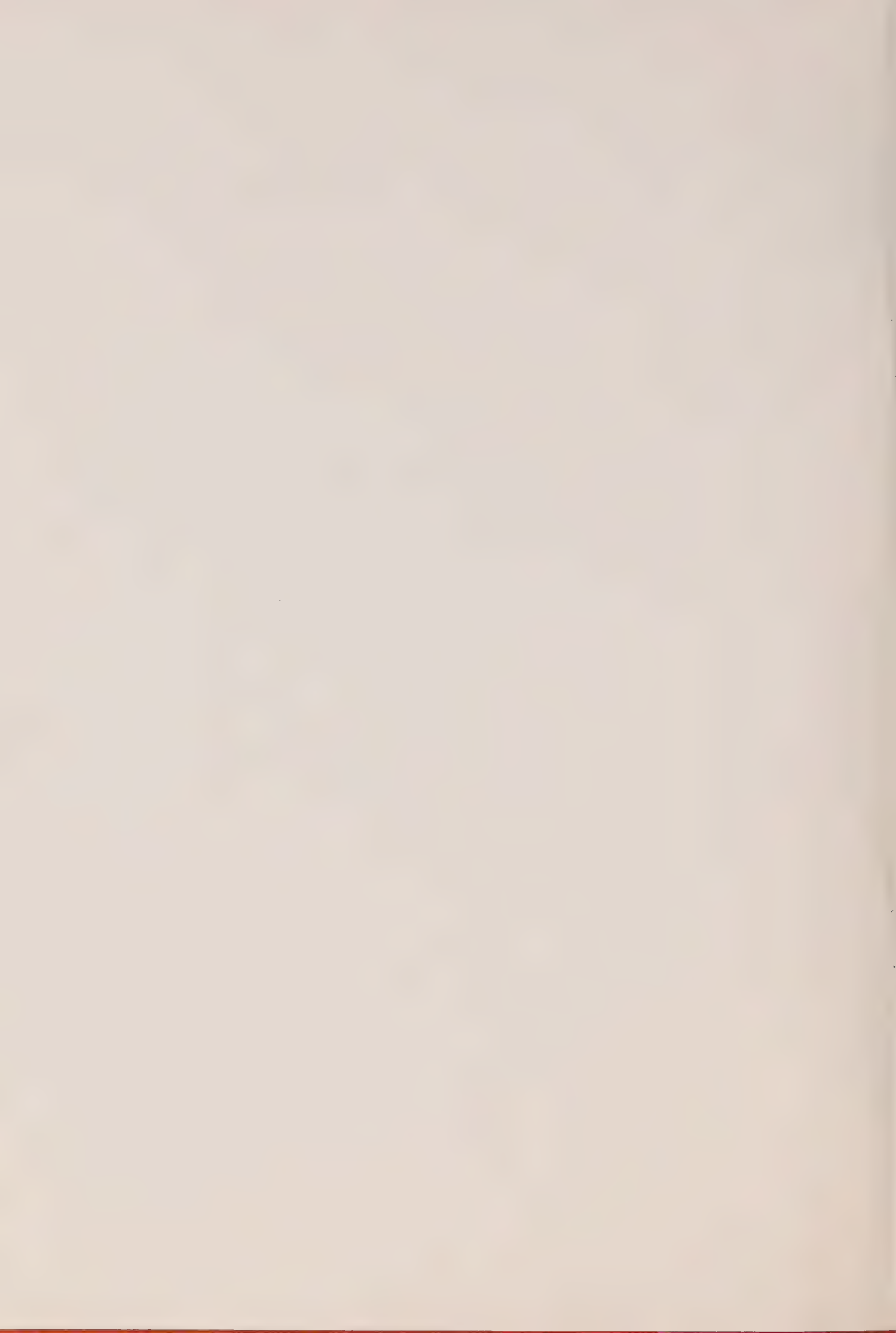


# **ONTARIO ENERGY CORPORATION**

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Annual Report 1987





**ONTARIO ENERGY CORPORATION**

**Annual Report 1987**



**THE YEAR'S HIGHLIGHTS**

<b><u>CONTENTS</u></b>	PRESIDENT'S REPORT	1
	BOARD OF DIRECTORS/OFFICERS/AUDITORS	2
	FINANCIAL STATEMENTS	3



## PRESIDENT'S REPORT

In 1987, the Corporation concentrated its efforts on the divestment mandate assigned to it by the Government of Ontario. Limited funds were invested to maintain values and to honour pre-existing commitments to partners, while sales of assets were actively pursued. The Corporation operated with a skeleton staff and minimum overhead while meeting its statutory and legal obligations.

During the fiscal year, the Corporation completed the sale of its western Canadian petroleum interests in joint ventures with Triweb Resources Ltd. and Mannville Oil & Gas Ltd. for a total of \$11.3 million in cash. The Ontario Energy Ventures Limited subsidiary succeeded in winding down most of its remaining portfolio through sales and liquidation actions. Ontario Minerals Ltd. was dissolved.

Onexco Oil & Gas Ltd., a subsidiary, signed a letter of intent to sell its two-thirds interest in Trillium Exploration Corporation's frontier oil and gas exploration assets for \$22.7 million. Subsequent to the year end, the Corporation devoted much of its efforts to the task of completing this complex transaction. On closing of this sale, the Ontario Energy Corporation will have succeeded in disposing of all its energy assets, except for its 25 per cent equity interest in Suncor Inc. At that point, the Corporation intends to rationalize its structure to reflect this reality.

The Corporation's revenue in 1987 amounted to \$2.7 million, while expenses, including wind down costs, depreciation, depletion and royalties were \$1.7 million. Income from operations was \$1.1 million compared to a loss of \$0.8 million the previous year.

The Corporation realized \$11.7 million from asset sales in 1987 and reported a net income of \$13.0 million. In 1986, a \$36.0 million loss, primarily due to write downs, was reported. These asset proceeds left the Corporation in a healthy cash position, so the Board of Directors voted a special dividend of \$20.0 million to the Government shareholder.

Recently, several Directors have resigned from the Board to pursue new careers. I would like to acknowledge the distinguished service and contribution of I. Bruce MacOdrum and Dr. Roger Higgin. I would also like to commend the small core of remaining officers and staff of the Corporation whose tenacity and dedication has contributed greatly to the results and performance of the past year.

Respectfully submitted on behalf of the Board:



Duncan M. Allan  
President and Chief Executive Officer



## **BOARD OF DIRECTORS**

Duncan M. Allan  
Special Advisor to the Premier  
Waterfront Development  
Province of Ontario

Edward Ciemiega  
Director  
Legal Services Branch  
Ministry of Energy

George A. Dominy  
Acting Manager, Policy Development Division  
Ministry of Energy

Daniel J. Gagnier  
Deputy Minister  
Ministry of Energy

Donald S. McColl \*  
Assistant Deputy Minister  
Ministry of Treasury and Economics

Robert A. Simpson \*  
Assistant Secretary  
Management Board of Cabinet

\* Member of Audit Committee

## **OFFICERS**

Duncan M. Allan  
Chairman  
President and Chief Executive Officer

Victor A. Bailey  
Treasurer

Robert Law  
Secretary

## **AUDITORS**

Deloitte Haskins & Sells

As at June 27, 1988.



## **FINANCIAL STATEMENTS**

### **PREPARATION AND REVIEW OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is also responsible for the other information in the annual report, which is consistent with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditors at least twice each year to satisfy itself that management's responsibilities are being properly discharged and to review annually the financial statements.

The external auditors, Deloitte Haskins & Sells, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the Corporation's financial statements. The auditors' examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and other procedures are conducted to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board. The Provincial Auditor has access and reviews from time to time the working paper files of the external auditors.

### **AUDITORS' REPORT**

#### **TO THE SHAREHOLDER OF ONTARIO ENERGY CORPORATION**

We have examined the consolidated balance sheet of Ontario Energy Corporation as at December 31, 1987 and the consolidated statements of income and deficit and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants  
Toronto, Canada  
May 24, 1988



**CONSOLIDATED STATEMENT  
OF INCOME AND  
DEFICIT**

**Year ended  
December 31, 1987**

**REVENUE**

Production  
Interest

1987	1986
(000's)	
\$ 1,389	\$ 4,279
1,356	893
<u>2,745</u>	<u>5,172</u>

**EXPENSES**

Depreciation and depletion  
General and administrative  
Production, operating and royalties

736	2,888
656	1,648
287	1,425
<u>1,679</u>	<u>5,961</u>

INCOME (LOSS) FROM OPERATIONS

1,066 (789)

WRITE-DOWN OF INVESTMENTS

- (30,334)

GAIN (LOSS) ON DISPOSAL OF  
INVESTMENTS

223 (2,972)

EQUITY IN INCOME (LOSS) OF  
INVESTMENTS (Note 3)

11,750 (2,279)

NET INCOME (LOSS)

13,039 (36,374)

DEFICIT, BEGINNING OF YEAR

(115,209) (78,835)

DEFICIT, END OF YEAR

\$(102,170) \$(115,209)

**CONSOLIDATED  
BALANCE SHEET  
December 31, 1987**

**ASSETS**

**CURRENT ASSETS (Note 5)**

Cash and short-term investments  
Accounts receivable

\$ 26,022	\$ 12,540
-	851
<u>26,022</u>	<u>13,391</u>

**INVESTMENTS (Note 2)**

Suncor Inc.  
Trillium Exploration Corporation  
Energy resource ventures  
Energy technology ventures

272,419	263,332
21,773	20,287
-	10,913
548	1,109
<u>294,740</u>	<u>295,641</u>

**FIXED ASSETS**

11	8
<u>\$ 320,773</u>	<u>\$ 309,040</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable and accrued charges  
Short-term borrowings

\$ 228	\$ 453
-	1,081
<u>228</u>	<u>1,534</u>

**SHAREHOLDER'S EQUITY**

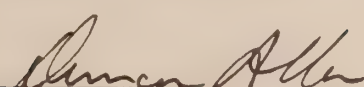
**SHARE CAPITAL (Note 4)**


**CONTRIBUTED SURPLUS**

**DEFICIT**

97,715	97,715
325,000	325,000
(102,170)	(115,209)
<u>320,545</u>	<u>307,506</u>
<u>\$ 320,773</u>	<u>\$ 309,040</u>

Approved by the Board:

  
Duncan M. Allan, Director

  
Donald S. McColl, Director



**CONSOLIDATED STATEMENT  
OF CHANGES IN  
FINANCIAL POSITION**

**Year ended  
December 31, 1987**

**OPERATING ACTIVITIES**

Net Income (Loss)

Suncor Inc. dividends

1987      1986  
(000's)

\$ 13,039      (36,374)  
2,662      3,918  
15,701      (32,456)

Items not affecting cash flow

Depreciation and depletion

Equity in earnings of investments

Write-down of investments

(Gain) loss on disposal of

investments

Other

736      2,888  
(11,750)      2,279  
-      30,334  
(223)      2,972  
3      (14)

4,467      6,003

Changes in operating working capital

Accounts receivable

Accounts payable and accrued

charges

851      3,499  
(225)      196

Cash provided by operating

activities

5,093      9,698

**INVESTING ACTIVITIES**

Trillium Exploration Corporation

Energy resource ventures

Petroleum Incentives Program Grants

Energy technology ventures

Proceeds on sale of investments

Additions to fixed assets

(4,086)      (17,062)  
(799)      (5,918)  
2,656      24,583  
(347)      (299)  
12,056      2,582  
(10)      -

Cash provided by investing

activities

9,470      3,886

**FINANCING ACTIVITIES**

Short-term borrowings

(1,081)      (6,469)

INCREASE IN CASH

13,482      7,115

CASH AND SHORT-TERM INVESTMENTS,  
BEGINNING OF YEAR

12,540      5,425

CASH AND SHORT-TERM INVESTMENTS,  
END OF YEAR

\$ 26,022      \$ 12,540



**NOTES TO THE  
CONSOLIDATED  
FINANCIAL  
STATEMENTS  
December 31, 1987**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The Ontario Energy Corporation has invested in, or otherwise participated in, energy projects with a view to enhancing the availability of energy in Ontario. It has determined to seek prudent disposal of its investments.

**Basis of financial statement presentation**

The consolidated financial statements include the accounts of the Ontario Energy Corporation and its subsidiaries except Trillium Exploration Corporation ("Trillium"). Trillium is actively involved in an oil and gas exploration program and its operations are not of a financing nature. Accordingly, Trillium is accounted for using the equity method because consolidating the accounts would not be more informative.

The investment in Suncor Inc. and certain other investments are accounted for using the equity method.

The Corporation conducts substantially all of its oil and gas exploration and production activities on a joint venture basis, and accordingly the accounts reflect the Corporation's investment in such activities.

The full-cost method of accounting is used to account for the Corporation's direct investments in oil and gas exploration activities whereby all costs of exploring for and developing oil and gas reserves are capitalized.

**Fixed assets**

Furniture and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over a period of 60 months.

**Income taxes**

The Corporation and its wholly-owned direct subsidiaries and their wholly-owned direct subsidiaries are not subject to income tax so long as not less than 90 per cent of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario. Onexco Oil & Gas Ltd., which is a wholly-owned indirect subsidiary of the Corporation, is subject to income taxes.

**2. INVESTMENTS**

**Suncor Inc.**

The investment in 25% of the shares of Suncor Inc. is accounted for using the equity method.



## 2. INVESTMENTS (continued)

Summarized financial information of Suncor Inc. as at December 31 is as follows:

	<u>1987</u>	<u>1986</u>
	(in millions)	
<u>Financial Information</u>		
Working capital	\$ 37	\$ 74
Total assets	\$ 2,080	\$ 2,107
Shareholders' equity		
Preferred shares	\$ 7	\$ 7
Common shares and retained earnings	1,090	1,053
	<u>\$ 1,097</u>	<u>\$ 1,060</u>
<u>Operations</u>		
Revenue	\$ 1,370	\$ 1,157
Net income (loss)	\$ 48	\$ (7)
Cash dividends on common shares	\$ 10	\$ 16
Stock dividends on common shares	11	10
	<u>\$ 21</u>	<u>\$ 26</u>

In 1985 certain companies instituted an action against Suncor Inc. disputing their obligation to pay an overriding royalty to Suncor. The amount of disputed royalty revenues recorded by Suncor to December 31, 1987 is approximately \$26 million before taxes, including \$3 million in 1987. Any material adverse financial impact on Suncor Inc., including interest, resulting from this action will be applied retroactively to the periods affected.

### Trillium Exploration Corporation

The Corporation has a two-thirds interest in Trillium which was formed to explore for oil and gas in the frontier areas of Canada. Trillium has had no income or loss from operations.

Subsequent to the year end, the Corporation accepted a purchase offer for its investment in Trillium Exploration Corporation for cash of approximately \$22 million, which approximates the year-end carrying value.

### Energy technology ventures

The Corporation has investments in energy technology ventures of various types, typically in the form of a minority equity interest or debt. These investments are reflected at the lower of cost and estimated net realizable value.



### 3. EQUITY ADJUSTMENT IN INVESTMENTS

Equity adjustment in investments reflects the Corporation's share of the income or loss of Suncor Inc. which is accounted for using the equity method.

### 4. SHARE CAPITAL

Share capital - December 31, 1987 and 1986

Authorized

An unlimited number of common shares

20,000,000 non-voting special shares

Issued

2,000,000 common shares

\$ 100,000

Less

45,708 common shares held in

Treasury, at cost

2,285

\$ 97,715

### 5. SUBSEQUENT EVENT

On March 24, 1988 the Directors declared a cash dividend in the aggregate amount of \$20,000,000 payable to the Shareholder on March 31, 1988.







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# ONTARIO ENERGY CORPORATION

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Annual Report 1988





**ONTARIO ENERGY CORPORATION**

**Annual Report 1988**



## **THE YEAR'S HIGHLIGHTS**

### **CONTENTS**

PRESIDENT'S REPORT	1
BOARD OF DIRECTORS/OFFICERS/AUDITORS	2
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## PRESIDENT'S REPORT

In 1988, the Corporation made further progress in fulfilling the divestment mandate assigned to it by the Government of Ontario.

In July, it completed the sale of Onexco Oil & Gas Ltd.'s two-thirds interest in Trillium Exploration Corporation's frontier oil and gas exploration assets to Mosbacher Energy Corporation. With the closing of this transaction, the Corporation completed the disposal of all its energy assets except for its 25 per cent equity interest in Suncor Inc. Subsequent to year end, the Corporation has taken steps to rationalize its structure. It has initiated the process to dissolve its subsidiary corporations of Onexco Oil & Gas Ltd., Ontario Energy Ventures Limited and Ontario Energy Resources Ltd.

The Corporation's revenue in 1988 amounted to \$4.4 million while expenses totalled \$500 thousand, resulting in income from operations of \$3.9 million. In 1988, Suncor Inc. reported a loss of \$49 million. The Corporation accounts for its investment in Suncor Inc. using the equity method and this loss is the major factor explaining the \$8.6 million loss reported by the Corporation.

The Corporation realized \$25.4 million from the sale of investments in 1988. The Corporation paid a special dividend of \$20 million to its Government shareholder in 1988. The proceeds from the sale of assets together with its dividend and interest income left the Corporation in a healthy cash position at year end. The Board of Directors voted a further dividend of \$28 million to its Government shareholder in January 1989.

Since the Corporation was assigned its prudent disposition mandate in 1986, it has achieved the following results:

- o the Ontario oil and gas assets have been sold;
- o the Alberta conventional oil and gas holdings, plus marketable shares, have been sold;
- o the interests in frontier oil and gas exploration assets have been sold;
- o the venture capital investments have been sold, wound-up or liquidated, except when legal or tax implications have impinged.

This has been achieved with a small number of directors, officers and staff drawn from government. I would like to commend this core of people associated with the Corporation for their tenacity and dedication which has contributed to the results and performance achieved.

Respectfully submitted on behalf of the Board:



Duncan M. Allan  
President and Chief Executive Officer



## **BOARD OF DIRECTORS**

Duncan M. Allan  
Special Advisor to the Premier  
Waterfront Development  
Province of Ontario

Edward Ciemiega  
Director  
Legal Services Branch  
Ministry of Energy

George A. Dominy  
Manager, Oil & Gas Section  
Ministry of Energy

Daniel J. Gagnier  
Deputy Minister  
Ministry of Intergovernmental Affairs

Donald S. McColl  
Assistant Deputy Minister  
Ministry of Treasury and Economics

Robert A. Simpson  
Deputy Minister  
Ministry of Financial Institutions

## **OFFICERS**

Duncan M. Allan  
Chairman  
President and Chief Executive Officer

Victor A. Bailey  
Treasurer

Robert Law  
Secretary

## **AUDITORS**

Deloitte Haskins & Sells

As at June 26, 1989.



## **FINANCIAL STATEMENTS**

### **PREPARATION AND REVIEW OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is also responsible for the other information in the annual report, which is consistent with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditors at least twice each year to satisfy itself that management's responsibilities are being properly discharged and to review annually the financial statements.

The external auditors, Deloitte Haskins & Sells, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the Corporation's financial statements. The auditors' examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and other procedures are conducted to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board. The Provincial Auditor has access and reviews from time to time the working paper files of the external auditors.

## **AUDITORS' REPORT**

### **TO THE SHAREHOLDER OF ONTARIO ENERGY CORPORATION**

We have examined the consolidated balance sheet of Ontario Energy Corporation as at December 31, 1988 and the consolidated statements of loss and deficit and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Deloitte Haskins & Sells*

Chartered Accountants  
Toronto, Canada  
June 5, 1989



**CONSOLIDATED STATEMENT  
OF LOSS AND  
DEFICIT**

**Year ended  
December 31, 1988**

**REVENUE**

Production  
Interest  
Gain on Disposal of Investments

1988	1987
(000's)	
\$ -	\$ 1,389
2,217	1,356
2,200	223
<u>4,417</u>	<u>2,968</u>

**EXPENSES**

General and administrative  
Production

500	656
-	1,023
<u>500</u>	<u>1,679</u>

INCOME FROM OPERATIONS  
EQUITY IN (LOSS) INCOME OF  
SUNCOR INC. (Note 2)  
(LOSS) NET INCOME

3,917	1,289
(12,500)	11,750
<u>(8,583)</u>	<u>13,039</u>

DIVIDEND

(20,000)	-
----------	---

DEFICIT, BEGINNING OF YEAR

<u>(102,170)</u>	<u>(115,209)</u>
------------------	------------------

DEFICIT, END OF YEAR

<u><u>\$(130,753)</u></u>	<u><u>\$(102,170)</u></u>
---------------------------	---------------------------

**CONSOLIDATED  
BALANCE SHEET  
December 31, 1988**

**ASSETS**

**CURRENT ASSETS**

Cash and short-term investments  
INVESTMENT IN SUNCOR INC. (Note 2)  
OTHER INVESTMENTS

\$ 37,435	\$ 26,022
254,594	272,419
-	22,332
<u>292,029</u>	<u>320,773</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable & accrued charges

\$ 67	\$ 228
-------	--------

**SHAREHOLDER'S EQUITY**


**SHARE CAPITAL (Note 3)**


**CONTRIBUTED SURPLUS**

**DEFICIT**

97,715	97,715
325,000	325,000
(130,753)	(102,170)
<u>291,962</u>	<u>320,545</u>
<u><u>\$ 292,029</u></u>	<u><u>\$ 320,773</u></u>

Approved by the Board:

  
Duncan M. Allan, Director

  
Donald S. McColl, Director



**CONSOLIDATED STATEMENT  
OF CHANGES IN  
FINANCIAL POSITION**

**Year ended  
December 31, 1988**

**OPERATING ACTIVITIES**  
(Loss) Net Income

	1988	1987
	(000's)	
	\$ (8,583)	13,039
Items not affecting cash flow		
Depreciation and depletion	-	736
Equity in income of Suncor Inc.	12,500	(11,750)
Gain on disposal of investments	(2,200)	(223)
Other	-	3
	<u>1,717</u>	<u>1,805</u>
Proceeds on sale of investments	25,400	12,056
Suncor Inc. dividends	5,325	2,662
Investments	(868)	(2,586)
	<u>31,574</u>	<u>13,937</u>
Changes in operating working capital		
Accounts receivable	-	851
Accounts payable & accrued charges	(161)	(225)
Cash provided by operating activities	<u>31,413</u>	<u>14,563</u>
DIVIDENDS PAID	<u>(20,000)</u>	<u>-</u>
SHORT-TERM BORROWINGS	<u>-</u>	<u>(1,081)</u>
INCREASE IN CASH	11,413	13,482
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	<u>26,022</u>	<u>12,540</u>
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	<u>\$ 37,435</u>	<u>\$ 26,022</u>



**NOTES TO THE  
CONSOLIDATED  
FINANCIAL  
STATEMENTS  
December 31, 1988**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The Ontario Energy Corporation has invested in, or otherwise participated in, energy projects with a view to enhancing the availability of energy in Ontario. It has determined to seek prudent disposal of its investments.

These financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies:

**Basis of financial statement presentation**

The consolidated financial statements include the accounts of the Ontario Energy Corporation and its subsidiaries.

The investment in Suncor Inc. and certain other investments are accounted for using the equity method.

**Income taxes**

The Corporation and its wholly-owned direct subsidiaries and their wholly-owned direct subsidiaries are not subject to income tax so long as not less than 90 per cent of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario. Onexco Oil & Gas Ltd., which is a wholly-owned indirect subsidiary of the Corporation, is subject to income taxes.

**2. INVESTMENTS**

**Suncor Inc.**

The investment in 25% of the shares of Suncor Inc. is accounted for using the equity method.

Summarized financial information of Suncor Inc. as at December 31 is as follows:

	1988	1987
	(in millions)	(in millions)
Working capital	\$ 32	\$ 37
Total assets	\$ 2,023	\$ 2,080
Shareholders' equity		
Preferred shares	\$ 7	\$ 7
Common shares and retained earnings	1,016	1,087
	\$ 1,023	\$ 1,094
Operations		
Revenue	\$ 1,345	\$ 1,370
(Loss) Net income	\$ (49)	\$ 48
Cash dividends on common shares	\$ 21	\$ 10
Stock dividends on common shares	-	11
	\$ 21	\$ 21



## **2. INVESTMENTS (cont'd)**

The company has settled the action regarding overriding on production from certain oil sands leases. The financial impact, which relates to periods prior to 1987, has been reflected retroactively in the periods affected, with the result that opening retained earnings for 1987 as previously reported have been decreased by \$3 million after income tax credits of \$2 million.

## **3. SHARE CAPITAL**

Share capital - December 31, 1988 and 1987

Authorized

An unlimited number of common shares

20,000,000 non-voting special shares

Issued

2,000,000 common shares \$ 100,000

Less

45,708 common shares held in

Treasury, at cost

2,285

\$ 97,715

## **4. COMPARATIVE FIGURES**

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

## **5. SUBSEQUENT DIVIDEND**

A dividend of \$28,000,000 was declared payable in January 1989.







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# **ONTARIO ENERGY CORPORATION**

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Annual Report 1989





**ONTARIO ENERGY CORPORATION**

**Annual Report 1989**



## THE YEAR'S HIGHLIGHTS

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## PRESIDENT'S REPORT

In 1989, the Corporation continued its divestment mandate to wind down operations and effect a prudent disposal of its investments.

The Corporation rationalized its structure and completed the dissolution of its subsidiary corporations of Onexco Oil & Gas Ltd., Ontario Energy Ventures Limited, and Ontario Energy Resources Ltd., and transferred all associated assets and liabilities to the parent Corporation.

The Corporation's revenue in 1989 amounted to \$2.1 million while expenses totalled \$241 thousand, resulting in income from operations of \$1.9 million. In 1989, Suncor Inc. reported income of \$49 million. The Corporation accounts for its 25% interest in Suncor Inc. using the equity method. This equity in the income of Suncor Inc. resulted in reported income of \$12 million increasing net income to \$13.9 million.

In 1989, the Corporation realized an additional \$730 thousand from the sale of its investments. A special dividend of \$28 million was made to its Government Shareholder on January 23, 1989. At year end, the Corporation had \$11.3 million in cash and short-term investments.

At this point, all the Corporation's oil and gas assets have been sold, and its venture capital investments sold, wound up or liquidated. Ontario Energy Corporation's remaining assets consist of its Suncor Inc. holding and its remaining cash and short-term investments.

This year, two board members have resigned. I would like to acknowledge the service and contribution of Mr. Donald S. McColl and Mr. Ed Ciemiega. I would also like to commend the small core of officers and staff from the public service for their efforts and dedication.

Respectfully submitted on behalf of the Board:



Duncan M. Allan  
President and Chief Executive Officer



## **BOARD OF DIRECTORS**

Duncan M. Allan  
Special Advisor to the Premier  
Toronto Waterfront Development

Edward Ciemiega \*  
Director  
Legal Services  
Ministry of Energy

George A. Dominy  
Manager, Oil & Gas Section  
Ministry of Energy

Daniel J. Gagnier  
Chief of Staff  
Office of The Premier

Donald S. McColl \*  
Assistant Deputy Minister  
Ministry of Treasury & Economics

Robert A. Simpson \*  
Deputy Minister  
Ministry of Financial Institutions

\* Member of Audit Committee

## **OFFICERS**

Duncan M. Allan  
Chairman  
President and Chief Executive Officer

Victor A. Bailey  
Treasurer

Robert Law  
Secretary

## **AUDITORS**

Deloitte & Touche



## **FINANCIAL STATEMENTS**

### **PREPARATION AND REVIEW OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is also responsible for the other information in the annual report, which is consistent with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditors at least twice each year to satisfy itself that management's responsibilities are being properly discharged and to review annually the financial statements.

The external auditors, Deloitte & Touche, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the Corporation's financial statements. The auditors' examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and other procedures are conducted to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board. The Provincial Auditor has access and reviews from time to time the working paper files of the external auditors.

## **AUDITORS' REPORT**

### **TO THE SHAREHOLDER OF ONTARIO ENERGY CORPORATION**

We have examined the balance sheet of Ontario Energy Corporation as at December 31, 1989 and the statements of income and deficit and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Deloitte & Touche*

Chartered Accountants  
Toronto, Canada  
May 5, 1990



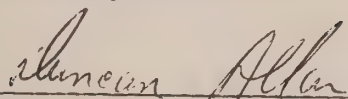
**STATEMENT  
OF INCOME AND  
DEFICIT**  
Year ended  
December 31, 1989

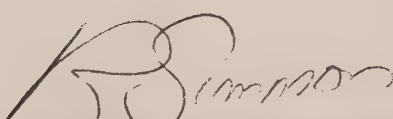
	1989	1988
	(000's)	
<b>REVENUE</b>		
Interest	\$ 1,416	\$ 2,217
Gain on Disposal of Investments (Note 2)	730	2,200
	<u>2,146</u>	<u>4,417</u>
<b>EXPENSES</b>		
General and administrative	<u>241</u>	<u>500</u>
<b>INCOME FROM OPERATIONS</b>	1,905	3,917
<b>EQUITY IN INCOME (LOSS) OF</b>		
SUNCOR INC. (Note 3)	12,000	(12,500)
<b>NET INCOME (LOSS)</b>	<u>13,905</u>	<u>(8,583)</u>
<b>DIVIDEND</b>	(28,000)	(20,000)
<b>DEFICIT, BEGINNING OF YEAR</b>	<u>(130,753)</u>	<u>(102,170)</u>
<b>DEFICIT, END OF YEAR</b>	<u><u>\$(144,848)</u></u>	<u><u>\$(130,753)</u></u>

**BALANCE SHEET**  
December 31, 1989

<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and short-term investments	\$ 11,319	\$ 37,435
INVESTMENT IN SUNCOR INC. (Note 3)	266,594	254,594
	<u>277,913</u>	<u>292,029</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable & accrued liabilities	<u>\$ 46</u>	<u>\$ 67</u>
<b>SHAREHOLDER'S EQUITY</b>		
SHARE CAPITAL (Note 4)	97,715	97,715
CONTRIBUTED SURPLUS	325,000	325,000
DEFICIT	(144,848)	(130,753)
	<u>277,867</u>	<u>291,962</u>
	<u><u>\$ 277,913</u></u>	<u><u>\$ 292,029</u></u>

Approved by the Board:

  
Duncan M. Allan, Director

  
Robert A. Simpson, Director



**STATEMENT  
OF CHANGES IN  
FINANCIAL POSITION**  
Year ended  
December 31, 1989

	1989 <u>(000's)</u>	1988 <u></u>
OPERATING ACTIVITIES		
Net Income (loss)	\$ 13,905	\$ (8,583)
Items not affecting cash flow		
Equity in income of Suncor Inc.	(12,000)	12,500
Gain on disposal of investments	<u>(730)</u>	<u>(2,200)</u>
	1,175	1,717
Proceeds on sale of investments	730	25,400
Suncor Inc. dividends	-	5,325
Investments	<u>-</u>	<u>(868)</u>
	1,905	31,574
Changes in operating working capital		
Accounts payable & accrued charges	<u>(21)</u>	<u>(161)</u>
Cash provided by operating activities	1,884	31,413
DIVIDENDS PAID	<u>(28,000)</u>	<u>(20,000)</u>
(DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS	(26,116)	11,413
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	<u>37,435</u>	<u>26,022</u>
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	<u>\$ 11,319</u>	<u>\$ 37,435</u>



**NOTES TO THE  
FINANCIAL  
STATEMENTS  
December 31, 1989**

**1. DESCRIPTION OF BUSINESS**

The Ontario Energy Corporation has invested in, or otherwise participated in, energy projects with a view to enhancing the availability of energy in Ontario. It has determined to seek prudent disposal of its investments.

On April 6, 1989, by special resolutions of the shareholders, there was a voluntary dissolution of the Corporation's subsidiaries, Ontario Energy Ventures Limited, Onexco Oil & Gas Ltd. and Ontario Energy Resources Ltd. All property of the subsidiaries was distributed to the Corporation and all outstanding debts due to the Corporation were forgiven.

**2. GAIN ON DISPOSAL OF INVESTMENTS**

As at December 31, 1988, additional proceeds with respect to investments disposed of during 1988, were contingent on specified future events. As a result, revenue of \$730 thousand was received and recorded as an additional gain on disposal in 1989.

**3. INVESTMENT IN SUNCOR INC.**

The investment in 25% of the shares of Suncor Inc. is accounted for using the equity method.

Summarized financial information of Suncor Inc. as at December 31 is as follows:

	1989	1988
	(in	millions)
Working capital	\$ 40	\$ 32
Total assets	\$ 2,048	\$ 2,023
Shareholders' equity		
Preferred shares	\$ 7	\$ 7
Common shares and retained earnings	1,064	1,016
	\$ 1,071	\$ 1,023
Revenue	\$ 1,488	\$ 1,345
Net income (loss)	\$ 49	\$ (49)
Cash dividends on common shares	\$ -	\$ 21
Stock dividends on common shares	21	-
	\$ 21	\$ 21



#### **4. SHARE CAPITAL**

Share capital - December 31, 1989 and 1988	(ooo's)
Authorized	
An unlimited number of common shares	
20,000,000 non-voting special shares	
Issued	
2,000,000 common shares	\$ 100,000
Less	
45,708 common shares held in	
Treasury, at cost	2,285
	<u>\$ 97,715</u>

#### **5. INCOME TAXES**

The Corporation is not subject to income tax so long as not less than 90% of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.







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# **ONTARIO ENERGY CORPORATION**

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Annual Report 1990





ONTARIO ENERGY CORPORATION

Annual Report 1990



**THE YEAR'S HIGHLIGHTS**

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## PRESIDENTS REPORT

In 1990, the Corporation completed its divestment mandate. The Corporation's remaining assets consist of its Suncor Inc. holding, and cash and short-term investments of \$18 million.

The increase in its current assets reflects the cash dividend from Suncor Inc. of \$5.4 million and interest income in the year which exceeded expenses by \$1.2 million. Additional proceeds from an earlier disposal of investments of \$135,000 was received.

At year end, the future plans of the Corporation were under review.

This year Duncan M. Allan, who had steered the Corporation through its divestment mandate, stepped down from the position of President and Chief Executive Officer. I would like to acknowledge his contribution and that of Daniel Gagnier who resigned from the Board.

Respectfully submitted on behalf of the Board:



Marc Eliesen  
President and Chief Executive Officer



## BOARD OF DIRECTORS

Duncan M. Allan  
Special Advisor to the Premier  
Toronto Waterfront Development

Bryan P. Davies \*  
Deputy Minister  
Ministry of Treasury & Economics

George R. Davies  
Assistant Deputy Minister  
Ministry of Energy

George A. Dominy \*  
Manager, Oil & Gas Section  
Ministry of Energy

Marc Eliesen  
Deputy Minister  
Ministry of Energy

Robert A. Simpson \*  
Deputy Minister  
Ministry of Financial Institutions

\* Member of Audit Committee

## OFFICERS

Marc Eliesen  
Chairman  
President and Chief Executive Officer

Victor A. Bailey  
Treasurer

Robert Law  
Secretary

## AUDITORS

Deloitte & Touche



## **FINANCIAL STATEMENTS**

### **PREPARATION AND REVIEW OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is also responsible for the other information in the annual report, which is consistent with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditors at least twice each year to satisfy itself that management's responsibilities are being properly discharged and to review annually the financial statements.

The external auditors, Deloitte & Touche, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the Corporation's financial statements. The auditors' examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and other procedures are conducted to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board. The Provincial Auditor has access and reviews from time to time the working paper files of the external auditors.

## **AUDITORS' REPORT**

### **TO THE SHAREHOLDER OF ONTARIO ENERGY CORPORATION**

We have audited the balance sheet of Ontario Energy Corporation as at December 31, 1990 and the statements of income and deficit and of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.



In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

*Deloitte & Touche*

Chartered Accountants  
Toronto, Canada  
May 23, 1991




**STATEMENT  
OF INCOME AND  
DEFICIT**  
Year ended  
December 31, 1990


	1990 (000's)	1989 (Restated - Note 2)
<b>REVENUE</b>		
Interest	\$ 1,569	\$ 1,416
Gain on disposal of investments (Note 4)	135	730
	<u>1,704</u>	<u>2,146</u>
<b>EXPENSES</b>		
General and administrative	<u>403</u>	<u>241</u>
<b>INCOME FROM OPERATIONS</b>	<u>1,301</u>	<u>1,905</u>
<b>EQUITY IN NET EARNINGS OF SUNCOR INC. (Note 2)</b>	<u>30,750</u>	<u>14,000</u>
<b>NET INCOME</b>	<u>32,051</u>	<u>15,905</u>
<b>DEFICIT, BEGINNING OF YEAR</b>		
As previously reported	(144,848)	130,753
Adjustment (Note 2)	8,500	6,500
As restated	<u>(136,348)</u>	<u>(124,253)</u>
<b>DIVIDEND</b>	<u>-</u>	<u>(28,000)</u>
<b>DEFICIT, END OF YEAR</b>	<u><u>\$(104,297)</u></u>	<u><u>\$(136,348)</u></u>

**BALANCE SHEET**  
December 31, 1990

<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and short-term investments	\$ 18,055	\$ 11,319
INVESTMENT IN SUNCOR INC. (Note 2)	<u>\$ 300,407</u>	<u>275,094</u>
	<u><u>\$ 318,462</u></u>	<u><u>\$ 286,413</u></u>
<b>LIABILITY</b>		
<b>CURRENT LIABILITY</b>		
Accounts payable & accrued liabilities	<u>\$ 44</u>	<u>\$ 46</u>
<b>SHAREHOLDER'S EQUITY</b>		
SHARE CAPITAL (Note 3)	97,715	97,715
CONTRIBUTED SURPLUS	325,000	325,000
DEFICIT	<u>(104,297)</u>	<u>(136,348)</u>
	<u>318,418</u>	<u>286,367</u>
	<u><u>\$ 318,462</u></u>	<u><u>\$ 286,413</u></u>

Approved by the Board:

  
Marc Eliesen, Director

  
Bryan P. Davies, Director



**STATEMENT  
OF CHANGES IN  
FINANCIAL POSITION**

**Year ended  
December 31, 1990**

**OPERATING ACTIVITIES**

**Net Income**

1990	1989
(000's)	(Restated- Note 2)
\$ 32,051	\$ 15,905
Items not affecting cash flow	
Gain on disposal of investments	(135) (730)
Equity in net earnings of Suncor Inc.	(30,750) (14,000)
Proceeds on disposal of investments	1,166 1,175
Suncor Inc. dividends	135 730
	5,437 -
	6,738 1,905
Change in operating working capital	
Accounts payable & accrued charges	(2) (21)
Cash provided by operating activities	6,736 1,884
DIVIDEND PAID	- (28,000)
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	6,736 (26,116)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	11,319 37,435
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$ 18,055 \$ 11,319



**NOTES TO THE  
FINANCIAL  
STATEMENTS  
December 31, 1990**

**1. DESCRIPTION OF BUSINESS**

The Ontario Energy Corporation was established to invest in, or otherwise participate in, energy projects with a view to enhancing the availability of energy in Ontario. In recent years, the Corporation has followed a divestment mandate and the future plans for the Corporation are being reviewed at this time.

**2. INVESTMENT IN SUNCOR INC.**

Suncor Inc. is an integrated oil and gas company. The investment in 25% of the common shares of Suncor Inc. is accounted for using the equity method.

	<u>1990</u>	<u>1989</u>
	(in thousands)	
Balance, beginning of year		
As previously reported	\$266,594	\$254,594
Adjustment - see (a) below	<u>8,500</u>	<u>6,500</u>
As restated	<u>275,094</u>	<u>261,094</u>
Equity in net earnings		
As previously reported	30,750	12,000
Adjustments - see (a) below	<u>-</u>	<u>2,000</u>
As restated	<u>30,750</u>	<u>14,000</u>
	305,844	275,094
Dividends received	<u>(5,437)</u>	<u>-</u>
Balance, end of year	<u>\$300,407</u>	<u>\$275,094</u>

**a. Change in accounting policy**

Effective January 1, 1990, Suncor Inc. adopted the deferral method of accounting for costs of maintenance shut downs instead of the previously followed accrual method. The financial statements of Suncor Inc. were restated to give effect to this change in accounting policy and, as a result, the Corporation's investment in Suncor Inc. increased by \$6.5 million at January 1, 1989 and the Corporation's 25% equity share of the net earnings for 1989 and 1990 increased by \$2 million and \$3.75 million, respectively.



## 2. INVESTMENT IN SUNCOR INC.

### b. Summarized information

Summarized financial information of Suncor Inc., adjusted for the change in (a) above, as at December 31, 1990 and 1989, and for the years then ended is as follows:

	<u>1990</u>	<u>1989</u>
	(millions)	(Restated- Note 2)
Working capital	<u>\$ 146</u>	<u>\$ 75</u>
Total assets	<u>\$ 2,259</u>	<u>\$ 2,065</u>
Shareholders' equity		
Preferred shares	\$ 6	\$ 7
Common shares and retained	499	499
Retained earnings	<u>701</u>	<u>599</u>
	<u>\$ 1,206</u>	<u>\$ 1,105</u>
Revenue	<u>\$ 1,759</u>	<u>\$ 1,488</u>
Net earnings	<u>\$ 124</u>	<u>\$ 57</u>
Cash dividends on common shares	\$ 21	\$ -
Stock dividends on common shares	-	21
	<u>\$ 21</u>	<u>\$ 21</u>

## 3. SHARE CAPITAL

Share capital - December 31, 1990 and 1989	(in thousands)
Authorized	
An unlimited number of common shares	
20,000,000 non-voting special shares	
Issued	
2,000,000 common shares	\$ 100,000
Less	
45,708 common shares held in	
Treasury, at cost	<u>2,285</u>
	<u>\$ 97,715</u>



#### **4. GAIN ON DISPOSAL OF INVESTMENTS**

As at December 31, 1988, additional proceeds with respect to investments disposed of during 1988 were contingent on specified future events such as the realization of exploration tax credits and outstanding joint venture audits. As a result, revenue of \$135,000 and \$730,000 was received and recorded as an additional gain on disposal in 1990 and 1989, respectively. No further proceeds are anticipated.

#### **5. INCOME TAXES**

The Corporation is not subject to income tax so long as not less than 90% of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.







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# **ONTARIO ENERGY CORPORATION**

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Annual Report 1991



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**ONTARIO ENERGY CORPORATION**

**Annual Report 1991**



## THE YEAR'S HIGHLIGHTS

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## PRESIDENT'S REPORT

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In 1991, the Corporation undertook an examination of its future direction, having completed the divestment mandate assigned to it in 1986. This examination resulted in a reorientation of the Corporation's objectives toward enhancing participation in the energy sector by the Aboriginal Peoples and northern communities of the province.

This addition to the Corporation's activities will be realized through the pursuit of joint opportunities with aboriginal communities in 1992. These will include commitments in parallel generation projects, energy management activities, supplier development, and the development of human resources.

The Corporation's cash assets increased to \$33 million in 1991, largely attributable to a Suncor dividend of \$14.2 million.

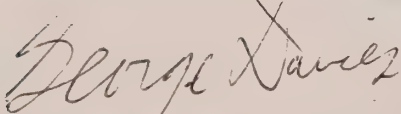
The Corporation was asked by Government to proceed to realize liquidity from its holdings in Suncor Inc. This examination also entailed detailed discussions regarding corporate objectives with officials of both Suncor Inc. and Sun Company, Inc. These discussions were ongoing at year end. Subsequent to year end, the Corporation through a public offering, sold 6 million shares in Suncor Inc. at \$19.00 per share reducing its holding from 25 percent to 14 percent. Also subsequent to year end the Corporation paid its shareholder dividends totalling \$82 million resulting from sale of assets and dividends from Suncor Inc.

During 1991, the Corporation experienced a number of changes in personnel. Mr. Marc Eliesen resigned as Chairman, President and Chief Executive Officer, and Mr. Duncan Allan stepped down as a Director. Mr. Douglas Davison joined the Corporation as General Manager.

I would like to acknowledge the contribution of Messrs. Eliesen and Allan to the work of the Board of Directors and the management of the Corporation during this transition phase. In particular, I would like to note the significant contribution that Mr. Allan played as President between 1986 and 1990 when the Corporation was divesting its holdings and joint venture assets.

I would also like to commend the Corporation's small core staff and consulting group who have made a significant contribution to the corporate reorientation undertaken during 1991.

Respectfully submitted on behalf of the Board of Directors.



George R. Davies  
Chairman, President and Chief Executive Officer



## **BOARD OF DIRECTORS**

---

Duncan M. Allan  
Special Advisor to the Premier  
Toronto Waterfront Development

Victor A. Bailey  
Director, Finance & Administration  
Ministry of Energy

Bryan P. Davies \*

Vice President, Business Affairs  
University of Toronto

George R. Davies  
Deputy Minister  
Ministry of Energy

George A. Dominy \*

Director, Oil & Gas  
Policy Development & Coordination  
Ministry of Energy

Mark Krasnick  
Secretary  
Ontario Native Affairs Secretariat

Robert A. Simpson \*

Deputy Minister

\* Member of Audit Committee

## **OFFICERS**

George R. Davies  
Chairman  
President & Chief Executive Officer

Victor A. Bailey  
Treasurer

Robert Law  
Secretary

Douglas W. Davison  
General Manager

## **AUDITORS**

Deloitte & Touche



## FINANCIAL STATEMENTS

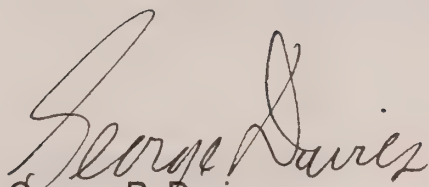
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### PREPARATION AND REVIEW OF THE FINANCIAL STATEMENTS

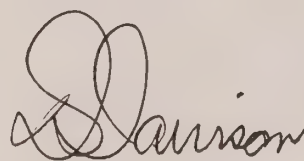
The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is also responsible for the other information in the annual report, which is consistent with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditors regularly each year to satisfy itself that management's responsibilities are being properly discharged and to review annually the financial statements.

The external auditors, Deloitte & Touche, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the Corporation's financial statements. The auditors' examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and other procedures are conducted to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board. The Provincial Auditor has access and reviews from time to time the working paper files of the external auditors.



George R. Davies  
President & Chief Executive Officer



Douglas W. Davison  
General Manager



## AUDITORS' REPORT

---

### TO THE SHAREHOLDER OF ONTARIO ENERGY CORPORATION

We have audited the balance sheet of Ontario Energy Corporation as at December 31, 1991 and the statements of loss and deficit and of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Chartered Accountants  
Toronto, Canada

March 21, 1992



**STATEMENT OF LOSS & DEFICIT****Year Ended December 31, 1991****1991****1990**

(000's)

## REVENUE

Interest

1,729

1,569

Other Income

53135

1,782

1,704

## EXPENSES

General and administrative

964403

## INCOME FROM OPERATIONS

818

1,301

WRITE-DOWN OF INVESTMENT IN SUNCOR INC. (Note 2)

(56,146)

-

EQUITY IN NET EARNINGS OF SUNCOR INC. (Note 2)

19,25030,750

NET (LOSS) INCOME FOR THE YEAR

(36,078)

32,051

DEFICIT, BEGINNING OF YEAR

(104,297)(136,348)

DEFICIT, END OF YEAR

\$(140,375)\$(104,297)**BALANCE SHEET****December 31, 1991****1991****1990**

(000's)

## ASSETS

## CURRENT

Cash and short-term investments

\$ 33,073

\$ 17,796

Accounts receivable and prepaid expenses

87259

33,160

18,055

INVESTMENT IN SUNCOR INC. (Note 2)

249,238300,407\$ 282,398\$ 318,462

## LIABILITY

## CURRENT

Accounts payable and accrued liabilities

\$ 58\$ 44

## SHAREHOLDER'S EQUITY

Share capital (Note 3)

97,715

97,715

Contributed surplus

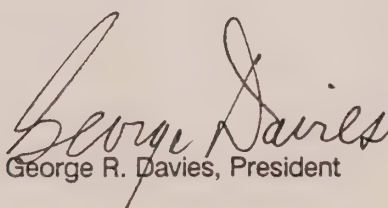
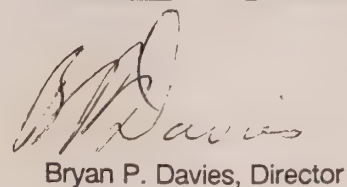
325,000

325,000

Deficit

(140,375)(104,297)282,340318,418\$ 282,398\$ 318,462

Approved by the Board:

  
George R. Davies, President  
Bryan P. Davies, Director



**STATEMENT OF CHANGES IN FINANCIAL POSITION**
**Year Ended December 31, 1991**
**1991**
**1991**
**(000's)**
**OPERATING ACTIVITIES**

Net (loss) income for the year	\$ (36,078)	\$ 32,051
Items not affecting cash flow		
Equity in net earnings of Suncor Inc.	(19,250)	(30,750)
Gain on disposal of investments	<u>-</u>	<u>(135)</u>
	(55,328)	1,166
Dividends received from Suncor Inc.	14,273	5,437
Write-down of investment in Suncor Inc.	56,146	-
Proceeds on disposal of investments	<u>-</u>	<u>135</u>
	15,091	6,738
Changes in operating working capital		
Accounts receivable and prepaid expenses	172	(209)
Accounts payable and accrued liabilities	<u>14</u>	<u>(2)</u>
Cash provided by operating activities	15,277	6,527
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	<u>17,796</u>	<u>11,269</u>
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	<u>\$ 33,073</u>	<u>\$ 17,796</u>



## NOTES TO THE FINANCIAL STATEMENTS

December 31, 1991

### 1. DESCRIPTION OF BUSINESS

The Ontario Energy Corporation was established to invest in, or otherwise participate in, energy projects with a view to enhancing the availability of energy in Ontario. In recent years, the Corporation has followed a divestment mandate. During 1991, the future plans for the Corporation were being reviewed. In 1992 the Corporation will be proceeding to renew its operations with a focus on energy project joint ventures, energy management initiatives, business development and associated human development activities in Northern areas and in Ontario's Aboriginal community.

### 2. INVESTMENT IN SUNCOR INC.

Suncor Inc. is a Canadian integrated oil and gas company. The investment in 25% of the common shares of Suncor Inc. is accounted for using the equity method.

	<u>1991</u>	<u>1990</u>
	(in thousands)	
Balance, beginning of year	\$ 300,407	\$ 275,094
Equity in net earnings	19,250	30,750
Dividends received	(14,273)	(5,437)
Write-down of carrying value	<u>(56,146)</u>	<u>-</u>
Balance, end of year	<u>\$ 249,238</u>	<u>\$ 300,407</u>

As a result of a public offering of Suncor Inc. shares (see Note 5), the Corporation determined that its investment in Suncor Inc. had suffered a loss in value that was considered to be other than temporary in nature and, accordingly, the carrying value of this investment was written down by \$56,146,000 as at December 31, 1991.

Summarized financial information of Suncor Inc. as at December 31, 1991 and 1990, and for the years then ended is as follows:

	<u>1991</u>	<u>1990</u>
	(in millions)	
Working capital	<u>\$ 80</u>	<u>\$ 146</u>
Total Assets	<u>\$ 2,238</u>	<u>\$ 2,259</u>
Shareholders' equity		
Preferred shares	\$ 6	\$ 6
Common shares	499	499
Retained earnings	<u>721</u>	<u>701</u>
	<u>\$ 1,226</u>	<u>\$ 1,206</u>
Revenue	<u>\$ 1,566</u>	<u>\$ 1,759</u>
Net earnings	<u>\$ 77</u>	<u>\$ 124</u>
Cash dividends on common shares	<u>\$ 57</u>	<u>\$ 21</u>



## NOTES TO THE FINANCIAL STATEMENTS

December 31, 1991

---

### 3. SHARE CAPITAL

(in thousands)

Share capital - December 31, 1991 and 1990

Authorized

An unlimited number of common shares

20,000,000 non-voting special shares

Issued

2,000,000 common shares

\$100,000

Less

45,708 common shares held in Treasury, at cost

2,285

\$ 97,715

### 4. INCOME TAXES

The Corporation is not subject to income tax provided that not less than 90% of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.

### 5. SUBSEQUENT EVENTS

- (a) On January 16, 1992, the Corporation declared a dividend of \$14,273,000 which was paid to its sole shareholder on January 20, 1992.
- (b) On March 18, 1992, the Corporation's interest in Suncor Inc. was reduced from 25% to 14% of the issued common shares of Suncor Inc., on the closing of a public offering by Suncor Inc. of 10,000,000 common shares, 6,000,000 of which were previously held by the Corporation. The proceeds per common share were \$19.00 of which \$9.50 was received on closing and \$9.50 is receivable on March 18, 1993. Net proceeds to the Corporation of this disposal of 6,000,000 common shares of Suncor Inc. were \$52,621,944 for the first instalment after deducting commissions of \$4,378,056. The Corporation will also incur additional costs associated with the public offering of approximately \$2,000,000. Proceeds for the second instalment are expected to be \$57,000,000.

The dividend policy of Suncor Inc. is to pay quarterly dividends. The dividend for the first quarter of 1992, of \$0.26 (\$1.04 per annum) per common share, was paid to the shareholders of record immediately prior to the public offering.

- (c) On March 31, 1992, the Corporation declared and paid dividends of \$18,000,000 and \$50,000,000 to its sole shareholder.





- a) Le 16 janvier 1992, la Société a déclaré un dividende de 14 273 000 \$ qui a été versé à son unique actionnaire le 20 janvier 1992.
- b) Le 18 mars 1992, la participation de la Société dans Suncor Inc. a été réduite de 25 % à 14 % des actions ordinaires émises de Suncor Inc., à la clôture d'un appel public à l'épargne de Suncor Inc. visant 10 000 000 d'actions ordinaires, dont 6 000 000 étaient auparavant détenues par la Corporation. Le produit par action ordinaire a été de 19,00 \$, dont 9,50 \$ ont été reçus à la clôture et 9,50 \$ devaient être encaissés le 18 mars 1993. Le produit net réalisé par la Société à l'aliénation de 6 000 000 d'actions ordinaires de Suncor Inc. s'est élevé à 52 621 944 \$ pour le premier versement, après la déduction des commissions de 4 378 056 \$. La Société engagera également des coûts additionnels relativement à l'appel public à l'épargne d'environ 2 000 000 \$. Le produit du deuxième versement devrait être de 57 000 000 \$.
- c) Le 31 mars 1992, la Société a déclaré et versé des dividendes de 18 000 000 \$ et de 50 000 000 \$ à son unique actionnaire.

5. ÉVÈNEMENTS POSTÉRIEURS À LA DATE DU BILAN

La Société n'est pas assujettie à l'impôt sur le revenu pourvu que la province de l'Ontario détienne directement au moins 90 % des actions en circulation de la Société. À l'heure actuelle, la province détient la totalité des actions en circulation de la Société.

4. IMPÔTS SUR LE REVENU

Capital-actions aux 31 décembre 1991 et 1990	
Autorisé	
Un nombre illimité d'actions ordinaires	
20 000 000 d'actions spéciales sans droit de vote	
Émis	
2 000 000 d'actions ordinaires	
Moins	
45 708 actions ordinaires détenues par le	
Tresor, comptabilisées au coût	
	2 285
	<u>97,715</u>
	\$
100 000 \$	

3. CAPITAL-ACTIONS

(en milliers)



# NOTES COMPLÉMENTAIRES

31 décembre 1991

## 1. DESCRIPTION DE L'ENTREPRISE

La Société de l'énergie de l'Ontario a été créée pour participer au financement ou à d'autres aspects de projets dont l'objectif était d'augmenter l'approvisionnement énergétique en Ontario. Au cours des dernières années, la Société s'est conformée à un mandat de désinvestissement. En 1991, les projets d'avenir de la Société ont été révisés. Au cours de l'exercice 1992, la Société procédera au renouvellement de son exploitation en mettant l'accent sur les coentreprises, dans le secteur énergétique, les projets de gestion énergétique de même que sur les activités de développement des affaires et de développement humanitaire connexes dans les régions du Nord et dans la communauté autochtone de l'Ontario.

## 2. PLACEMENT DANS SUNCOR INC.

Suncor Inc. est une société pétrolière et gazière canadienne intégrée. La Société détient 25 % des actions ordinaires émises par Suncor Inc., qu'elle comptabilise à leur valeur de consolidation.

	1991	1990
Solde au début de l'exercice	\$ 300 407	\$ 275 094
Quote-part du bénéfice net	19 250	30 750
Dividendes reçus	(14 273)	(5 437)
Réduction de la valeur comptable	(56 146)	-
Solde à la fin de l'exercice	\$ 249 238	\$ 300 407

À la suite d'un appel public à l'épargne visant les actions de Suncor Inc. (se reporter à note 5), la Société a jugé que son placement dans Suncor Inc. avait subi une perte de valeur autre que temporaire et, par conséquent, la valeur comptable de ce placement a été réduite de 56 146 000 \$ au 31 décembre 1991.

Aux 31 décembre 1991 et 1990 et pour les exercices terminés à ces dates, les principales données financières de Suncor Inc. s'établissent comme suit:

	1991	1990
Fonds de roulement	\$ 80	\$ 146
Total de l'actif	\$ 2 238	\$ 2 259
Avoir des actionnaires	6	6
Actions privilégiées	499	499
Actions ordinaires	721	701
Bénéfices non répartis	1 226	1 206
Revenus	1 566	1 759
Bénéfice net	\$ 77	\$ 124
Dividendes en espèces versés sur les actions ordinaires	\$ 57	\$ 21



# ÉTAT DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE

de l'exercice terminé le 31 décembre 1991

(en milliers)

1991	1990
ACTIVITÉS D'EXPLOITATION	
(Perte nette) bénéfice net de l'exercice	32 051 \$
Éléments sans incidence sur les mouvements de l'encaisse	
Quote-part du bénéfice net de Suncor Inc.	(19 250)
Gain à l'aliénation de placements	(135)
	1 166
Dividendes de Suncor Inc.	14 273
Réduction de la valeur du placement dans Suncor Inc.	56 146
Produit de l'aliénation de placements	-
	135
	6 738
Variations du fonds de roulement	
Dépôts et frais payés d'avance	172
Crediteurs et charges à payer	14
	(209)
Encaisse provenant de l'exploitation	15 277
	6 527
ENCAISSE ET PLACEMENTS À COURT TERME AU	
DÉBUT DE L'EXERCICE	17 796
	11 269
ENCAISSE ET PLACEMENTS À COURT TERME À	
LA FIN DE L'EXERCICE	33 073 \$
	17 796 \$



Bryan P. Davies, administrateur

George R. Davies, administrateur

Approuvé par le conseil d'administration:

ÉTAT DES RÉSULTATS ET DU DÉFICIT		de l'exercice terminé le 31 décembre 1991		(en milliers)	
		1991	1990		
REVENUS					
Intérêts		1 729 \$	1 569 \$		
Autres revenus		53	135		
		<u>1 782</u>	<u>1 704</u>		
FRAIS - généraux et administratifs		964	403		
		<u>818</u>	<u>1 301</u>		
BÉNÉFICE PROVENANT DE L'EXPLOITATION		818	1 301		
RÉDUCTION DE LA VALEUR DU PLACEMENT		(56 146)	-		
DANS SUNCOR INC. (note 2)					
QUOTE-PART DU BÉNÉFICE NET DE SUNCOR INC. (note 2)		19 250	30 750		
(PERTE NETTE) BÉNÉFICE NET DE L'EXERCICE		(36 078)	32 051		
DÉFICIT AU DÉBUT DE L'EXERCICE		(104 297)	(136 348)		
DÉFICIT À LA FIN DE L'EXERCICE		<u>(140 375)</u>	<u>(104 297)</u>		
		282 398	318 462		
ACTIF					
ACTIF À COURT TERME		33 073 \$	17 796 \$		
Encaisse et placements à court terme		87	259		
Débiteurs et frais payés d'avance		33 160	18 055		
		<u>249 238</u>	<u>300 407</u>		
PLACEMENT DANS SUNCOR INC. (note 2)		282 398	318 462		
PASSIF					
PASSIF À COURT TERME		58	44		
Créditeurs et charges à payer					
AVOIR DE L'ACTIONNAIRE		97 715	97 715		
Capital-actions (note 3)		325 000	325 000		
Surplus d'apport		(140 375)	(104 297)		
Déficit		<u>282 340</u>	<u>318 418</u>		
		282 398	318 462		

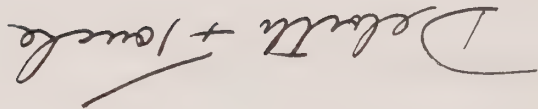


A L'ACTIONNAIRE DE LA  
SOCIÉTÉ DE L'ÉNERGIE DE L'ONTARIO

Nous avons vérifié le bilan de la Société de l'énergie de l'Ontario au 31 décembre 1991 ainsi que les états des résultats et du déficit, et de l'évolution de la situation financière de l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la Société. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des éléments probants à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers présentent fidèlement, à tous égards importants, la situation financière de la Société au 31 décembre 1991 ainsi que les résultats de son exploitation et l'évolution de sa situation financière pour l'exercice terminé à cette date selon les principes comptables généralement reconnus.



Comptables agréés

Toronto (Ontario)  
Le 21 mars 1992

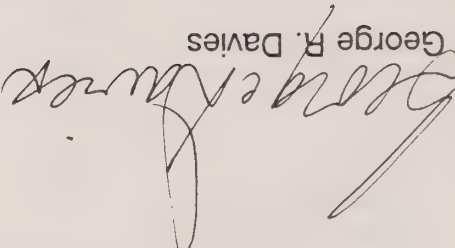


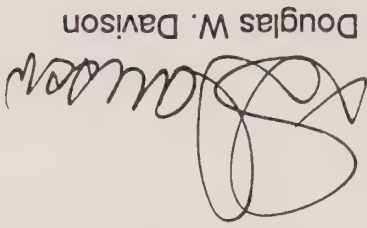
PRÉPARATION ET VÉRIFICATION  
DES ETATS FINANCIERS

La direction a préparé les états financiers selon les principes comptables généralement reconnus. La direction est également responsable des autres renseignements contenus dans le rapport annuel, lesquels correspondent aux états financiers.

Il incombe au conseil d'administration de s'assurer que la direction assume ses responsabilités en ce qui a trait à l'information financière et au contrôle interne. Pour ce faire, le conseil s'est doté d'un comité de vérification composé d'administrateurs qui ne sont pas des membres du personnel de la Société. Le comité de vérification se réunit avec la direction et les vérificateurs externes régulièrement chaque année afin de s'assurer que la direction assume ses responsabilités comme il se doit et de procéder à la révision annuelle des états financiers.

Les vérificateurs externes, Deloitte & Touche, ont effectué la vérification indépendante, selon les normes comptables généralement reconnues, et ont exprimé leur opinion sur les états financiers de la Société. La vérification des vérificateurs comprend la vérification et une évaluation du système de contrôle interne de la Société. Les vérificateurs ont recours à des sondages appropriés et à d'autres méthodes visant à fournir un degré raisonnable de certitude relativement à la fidélité des états financiers. Les vérificateurs externes ont accès pleinement et librement au comité de vérification du conseil. Pour sa part, le vérificateur provincial a accès aux dossiers de travail des vérificateurs externes et les examine de temps à autre.

Le président  
du conseil d'administration  
et président-directeur général,  
  
George R. Davies

Le directeur général,  
  
Douglas W. Davison



Duncan M. Allan  
Conseiller spécial du premier ministre  
Aménagement riverain à Toronto

Victor A. Bailey  
Directeur, finances et administration  
Ministère de l'Énergie

Bryan P. Davies \*  
Vice-recteur, affaires commerciales  
Université de Toronto

George R. Davies  
Sous-ministre  
Ministère de l'Énergie

George A. Dorniny \*  
Directeur, Section du pétrole et du gaz  
Elaboration et coordination des politiques  
Ministère de l'Énergie

Mark Krasnick

Secrétaire  
Direction générale  
des affaires autochtones de l'Ontario

Robert A. Simpson \*

Sous-ministre

\* Membre du comité de vérification

## DIRIGEANTS

George R. Davies  
Président du conseil d'administration  
Président-directeur général

Victor A. Bailey  
Trésorier

Robert Law  
Secrétaire

Douglas W. Davison  
Directeur général

Deloitte & Touche

## VÉRIFICATEURS



## RAPPORT DU PRÉSIDENT

1

Ayant accompli le mandat de désinvestissement qu'elle avait reçu en 1986, la Société a entrepris, en 1991, l'examen de son orientation future. Cet examen l'a amenée à réorienter ses objectifs de façon à permettre aux peuples autochtones et aux collectivités du Nord de la province de participer davantage au secteur énergétique.

Cette extension des activités de la Société sera mise en oeuvre par la poursuite d'initiatives conjointes avec les collectivités autochtones en 1992. Ces initiatives comprendront des ententes de participation à des projets de production parallèle d'électricité, des activités de gestion de l'énergie, le développement des marchés des fournisseurs et la mise en valeur des ressources humaines.

Les actifs liquides de la Société ont atteint 33 millions de dollars en 1991, ce qui est en grande partie attribuable au dividende de 14,2 millions de dollars de Suncor.

Le gouvernement avait demandé à la Société d'entreprendre la liquidation de ses actions de Suncor Inc. Dans le cadre de son examen, la Société a également tenu, avec les dirigeants de Suncor Inc. et de Sun Company, Inc., des discussions approfondies au sujet des objectifs des sociétés. Ces discussions se poursuivaient à la clôture de l'exercice. Après la clôture de l'exercice, la Société a vendu, par appel public à l'épargne, six millions d'actions de Suncor Inc. à 19 \$ chacune, ce qui a fait passer sa participation dans Suncor de 25 à 14 pour 100. Toujours après la clôture, la Société a versé à son actionnaire des dividendes s'élevant à 82 millions de dollars et provenant de la vente d'actions et de dividendes de Suncor Inc.

Au cours de 1991, la Société a connu un certain nombre de changements dans son personnel. M. Marc Eliesen a demissionné de son poste de président du conseil d'administration et de président-directeur général et M. Duncan Allan a quitté ses fonctions d'administrateur. M. Douglas Davison s'est joint à la Société à titre de directeur général.

Le souhaite reconnaître le concours de MM. Eliesen et Allan au travail du conseil d'administration et à la gestion de la Société pendant cette période de transition. Je tiens en particulier à souligner l'apport considérable de M. Allan en sa qualité de président de 1986 à 1990, période où la Société a réduit ses investissements et ses actifs dans des entreprises en participation.

Le souhaite également souligner l'appui remarquable du personnel de basé peu nombreux de la Société et du groupe consultatif à la réorientation que la Société a entreprise au cours de 1991.

Présente respectueusement au nom du conseil d'administration.

Le président du conseil d'administration  
et président-directeur général,

George R. Davies  
*George R. Davies*



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2	CONSEIL D'ADMINISTRATION/DIRIGEANTS/VÉRIFICATEURS
3	ÉTATS FINANCIERS



**SOCIÉTÉ DE L'ÉNERGIE DE L'ONTARIO**

**Rapport annuel 1991**





# **SOCIÉTÉ DE L'ÉNERGIE DE L'ONTARIO**

Rapport annuel 1991

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# **ONTARIO ENERGY CORPORATION**

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Annual Report 1992



Printed on recycled paper to  
Ontario Government standards

## **THE YEAR'S HIGHLIGHTS**

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## PRESIDENT'S REPORT

---

During 1992, the Corporation completed the examination of its future directions, an exercise which began the previous year. As a result of this review, the Corporation's objectives have been broadened to include business activities which increase the participation of Aboriginal Peoples and Northern communities in energy sector developments.

Also in 1992, the Corporation laid the groundwork for joining Aboriginal and non-Aboriginal partners in small-scale independent power projects, supply-oriented business opportunities related to the operation of large energy companies, and a joint partnership to create an Aboriginal energy corporation in Northern Ontario.

The Corporation's support of Lakehead University's "Native Access Program for Engineering (NAPE)" was notable among other developments during the year. The Corporation led the way for participation by other provincial and national energy-related firms which joined in supporting this program. The Corporation believes that NAPE will result in the future participation of Aboriginal engineers to the benefit of all aspects of the Ontario energy sector.

The Corporation's assets decreased by \$73.7 million in 1992 due mainly to the payment of \$82.3 million in dividends to the shareholder and receipt of \$9.4 million in dividends from Suncor Inc.

Subsequent to year end, the Corporation sold its remaining 14% interest in Suncor Inc. for \$25.25 per share. Net proceeds after commission totalled \$189.8 million. Also subsequent to year end, the Corporation paid its shareholder dividends totalling \$161 million and \$85.8 million as a return of capital.

During 1992, Mr. Mark Krasnick resigned from the Board of Directors due to a relocation and he was replaced by Mr. Murray Coolican, Secretary, Ontario Native Affairs Secretariat. In addition, the Corporation completed its staffing with the following people: Beverly Maracle, Business Services Coordinator; Peter Carrie, Manager of Energy Projects; and Deborah Rau, Manager of Finance and Administration. In 1993, the Corporation will maintain its small core staff and restructure the Board of Directors to more fully reflect its customer base.

## PRESIDENT'S REPORT

---

I would like to thank the Board of Directors and the staff of the Corporation for their efforts during 1992. The Ontario Energy Corporation's experiences with its new areas of business have positioned the Corporation to play a productive role in Ontario's energy future.

Respectfully submitted on behalf of the Board of Directors.

A handwritten signature in cursive script that reads "George R. Davies". The signature is written in dark ink and is positioned above the printed name and title.

George R. Davies  
Chairman, President and Chief Executive Officer

## **BOARD OF DIRECTORS**

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Victor A. Bailey  
Director, Finance & Administration  
Ministry of Energy

Murray Coolican  
Secretary  
Ontario Native Affairs Secretariat

Bryan P. Davies \*

Vice President, Business Affairs  
University of Toronto

George R. Davies  
Deputy Minister  
Ministry of Energy

George A. Dominy \*

Director, Oil & Gas  
Policy Development & Coordination  
Ministry of Energy

Robert A. Simpson \*

\* Member of Audit Committee

## **OFFICERS**

George R. Davies  
Chairman  
President & Chief Executive Officer

Victor A. Bailey  
Treasurer

Robert Law  
Secretary

Douglas W. Davison  
General Manager

## **AUDITORS**

Deloitte & Touche

## FINANCIAL STATEMENTS

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### PREPARATION AND REVIEW OF THE FINANCIAL STATEMENTS

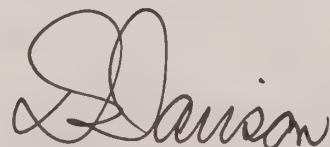
The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is also responsible for the other information in the annual report, which is consistent with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditors regularly each year to satisfy itself that management's responsibilities are being properly discharged and to review annually the financial statements.

The external auditors, Deloitte & Touche, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the Corporation's financial statements. The auditors' examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and other procedures are conducted to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board. The Provincial Auditor has access and reviews from time to time the working paper files of the external auditors.



George R. Davies  
President & Chief Executive Officer



Douglas W. Davison  
General Manager

## AUDITORS' REPORT

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### TO THE SHAREHOLDER OF ONTARIO ENERGY CORPORATION

We have audited the balance sheet of Ontario Energy Corporation as at December 31, 1992 and the statements of income and deficit and of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Chartered Accountants  
Toronto, Ontario

March 12, 1993  
except for Note 6 which  
is as of April 30, 1993.

**STATEMENT OF INCOME AND DEFICIT****1992****1991****Year ended December 31, 1992**

(000's)

(Restated-  
Note 2)**REVENUE**

Dividends (Note 2)	\$ 9,457	\$ 14,273
Interest	976	1,729
Other income	54	53
	<u>10,487</u>	<u>16,055</u>

**EXPENSES**

General and administrative	1,088	943
Project expenditures (Note 5)	225	-
	<u>1,313</u>	<u>943</u>

**INCOME FROM OPERATIONS**

9,174 15,112

**WRITE DOWN OF INVESTMENT IN SUNCOR INC. (Note 2)**

- (51,169)

**COSTS NET OF PROCEEDS ON SALE OF  
SHARES OF SUNCOR INC. (Note 2)**(2,450) (21)**NET INCOME (LOSS) FOR THE YEAR**

6,724 (36,078)

**DIVIDENDS PAID**

(82,273) -

**DEFICIT, BEGINNING OF YEAR**(140,375) (104,297)**DEFICIT, END OF YEAR**\$ (215,924) \$ (140,375)**BALANCE SHEET****1992****1991****December 31, 1992**

(000's)

(Restated-  
Note 2)**ASSETS****CURRENT**

Cash and short-term investments	\$ 12,453	\$ 33,073
Receivables and prepaid expenses (Note 2)	57,045	87
	<u>69,498</u>	<u>33,160</u>


**INVESTMENT IN SUNCOR INC. (Note 2 and 6 (c))**139,228 249,238\$ 208,726 \$ 282,398**LIABILITY****CURRENT**

Accounts payable and accrued liabilities	\$ 1,935	\$ 58
--	----------	-------

**SHAREHOLDER'S EQUITY**

Share capital (Note 3)	97,715	97,715
Contributed surplus	325,000	325,000
Deficit	<u>(215,924)</u>	<u>(140,375)</u>
	<u>206,791</u>	<u>282,340</u>
	<u>\$ 208,726</u>	<u>\$ 282,398</u>

Approved by the Board:

  
George R. Davies, President  
Robert A. Simpson, Director

STATEMENT OF CHANGES IN FINANCIAL POSITION	1992	1991
Year ended December 31, 1992		(000's) (Restated- Note 2)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net income (loss) for the year	\$ 6,724	\$ (36,078)
Items not affecting cash flow		
Write-down of investment in Suncor Inc.	-	51,169
Gain before deducting commissions on sale of shares of Suncor Inc.	<u>(3,990)</u>	<u>-</u>
	2,734	15,091
Changes in operating working capital		
Receivables and prepaid expenses	42	172
Accounts payable and accrued liabilities	<u>1,877</u>	<u>14</u>
	4,653	15,277
INVESTING		
Proceeds on sale of shares of Suncor Inc. (First Instalment)	<u>57,000</u>	<u>-</u>
	61,653	15,277
FINANCING		
Dividends paid	<u>(82,273)</u>	<u>-</u>
(Decrease) increase in cash	(20,620)	15,277
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	<u>33,073</u>	<u>17,796</u>
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	<u>\$ 12,453</u>	<u>\$ 33,073</u>

## NOTES TO THE FINANCIAL STATEMENTS

---

December 31, 1992

### 1. DESCRIPTION OF BUSINESS

The Ontario Energy Corporation was established to invest in, or otherwise participate in, energy projects with a view to enhancing the availability of energy in Ontario. In recent years, the Corporation has followed a divestment mandate. In 1992 the Corporation was given a renewed mandate to focus its operations on energy project joint ventures, energy management initiatives, business development and associated human development activities in Northern areas and in Ontario's Aboriginal community.

### 2. INVESTMENT IN SUNCOR INC.

Suncor Inc. is a Canadian integrated oil and gas company. As at December 31, 1991 the Corporation held 25% of the common shares of Suncor Inc. On March 18, 1992, the Corporation's interest in Suncor Inc. was reduced to 14% on the closing of a public offering by Suncor Inc. of 10,000,000 common shares, of which 6,000,000 common shares were previously held by the Corporation. The proceeds per common share were \$19.00 of which \$9.50 was received on closing and \$9.50 is receivable on March 18, 1993. The net proceeds received by the Corporation for the first instalment, after deducting commissions of \$4,378,000, were \$52,622,000. The proceeds for the second instalment receivable on March 18, 1993 of \$57,000,000 are included in the receivables as at December 31, 1992.

When the Corporation held 25% of the common shares of Suncor Inc., this investment was accounted for using the equity method. As at December 31, 1992, the 14% investment is accounted for using the cost basis. The prior year figures presented for comparison have been restated to reflect the investment on a cost basis with a consequent adjustment in the write down of the investment in Suncor Inc. as at December 31, 1991. See Note 6 (c) for the subsequent sale of the remaining 14% investment.

The dividend policy of Suncor Inc. is to pay quarterly dividends of \$0.26 per quarter (\$1.04 per annum) per common share. The dividend for the first quarter of 1992 was paid to the shareholders of record immediately prior to the public offering.

### 3. SHARE CAPITAL

Share capital - December 31, 1992 and 1991

Authorized

An unlimited number of common shares  
20,000,000 non-voting special shares

Issued

2,000,000 common shares

\$100,000,000

Less

45,708 common shares held in Treasury, at cost

2,285,000

\$ 97,715,000

## NOTES TO THE FINANCIAL STATEMENTS

---

December 31, 1992

### 4. INCOME TAXES

The Corporation is not subject to income tax provided that not less than 90% of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.

### 5. COMMITMENTS

During 1992, the Corporation entered into an agreement with Ontario Hydro and Lakehead University for the establishment of a Native Access Program for Engineering (NAPE) at the Lakehead University School of Engineering. Ontario Hydro's contribution for each of the years in the five year term of the agreement, commencing May 1, 1992, is the lower of \$250,000 and 50% of the actual costs of the NAPE.

Upon execution of the agreement, the Corporation paid \$225,000 to Lakehead University for the establishment of the NAPE. Pursuant to the agreement, the Corporation has undertaken to pursue industry funding for the difference between Ontario Hydro's annual contribution and the actual NAPE costs for each year of the five year program, which commenced on May 1, 1992. Further, the Corporation has committed to funding any shortfall in the industry funding, up to a maximum of \$250,000 per year (subject to escalation based on the Consumer Price Index) for each of the remaining four years. Payments each year are to be made in three equal instalments at the beginning of May, October and January of the following year.

### 6. SUBSEQUENT EVENTS

- (a) The Suncor dividend for the first quarter of 1993 (\$0.26 per common share) was received on March 17, 1993.
- (b) On March 30, 1993, the Corporation declared and paid a dividend of \$57,000,000 to its sole shareholder.
- (c) On April 5, 1993, the Corporation sold its remaining 14% of the common shares of Suncor Inc. The proceeds per common share were \$25.25. The net proceeds received by the Corporation after deducting commissions of \$1,898,397 were \$189,839,750.
- (d) On April 27, 1993, the Corporation declared and paid a dividend of \$104,000,000 to its sole shareholder.
- (e) On April 29, 1993, the shareholder resolved to reduce the stated capital of the Corporation by \$85,839,750 by making a payment to the shareholder. The payment was made on April 30, 1993.

## 4. IMPÔTS SUR LE REVENU

La Société n'est pas assujettie à l'impôt sur le revenu pourvu que la province de l'Ontario détienne directement au moins 90 % des actions en circulation de la Société. À l'heure actuelle, la province détient la totalité des actions en circulation de la Société.

## 5. ENGAGEMENTS

Au cours de 1992, la Société a conclu une entente avec Ontario Hydro et Lakehead University visant la mise en oeuvre d'un programme d'accès aux études en génie offert aux autochtones («NAPE») à la Lakehead University School of Engineering. La contribution d'Ontario Hydro pour chaque année comprise dans la période de cinq ans en vertu de l'entente qui a pris effet le 1<sup>er</sup> mai 1992, correspond à 250 000 \$ ou 50 % des coûts réels du programme NAPE, selon le moindre des deux montants.

À la signature de l'entente, la Société a versé 225 000 \$ à Lakehead University pour la mise en oeuvre du programme NAPE. Conformément à l'entente, la Société a décidé de demander auprès de l'industrie la différence entre la contribution annuelle d'Ontario Hydro et les coûts réels du programme NAPE pour chaque année du programme de cinq ans, qui a commencé le 1<sup>er</sup> mai 1992. De plus, la Société s'est engagée à combler tout écart du financement par l'industrie, jusqu'à concurrence de 250 000 \$ par année (assujéti à l'indexation en fonction de l'indice des prix à la consommation) pour chacune des quatre dernières années. Les paiements pour chaque année doivent être effectués en trois versements égaux au début des mois de mai, d'octobre et de janvier de l'année suivante.

## 6. ÉVÉNEMENTS POSTÉRIEURS À LA DATE DU BILAN

- a) Le dividende du premier trimestre de 1993 de Suncor Inc. (0,26 \$ par action ordinaire) a été reçu le 17 mars 1993.
- b) Le 30 mars 1993, la Société a déclaré, et a versé à son unique actionnaire, un dividende de 57 000 000 \$.
- c) Le 5 avril 1993, la Société a vendu le reste de sa participation de 14 % dans les actions ordinaires de Suncor Inc. Le produit par action ordinaire s'est élevé à 25,25 \$. Le produit net réalisé par la Société, déduction faite des commissions de 1 898 397 \$, s'est élevé à 189 839 750 \$.
- d) Le 27 avril 1993, la Société a déclaré, et a versé à son unique actionnaire, un dividende de 104 000 000 \$.
- e) Le 29 avril 1993, l'actionnaire a décidé de réduire le capital déclaré de la Société de 85 839 750 \$ en faisant un paiement à l'actionnaire. Le paiement a été effectué le 30 avril 1993.

## 1. DESCRIPTION DE L'ENTREPRISE

La Société de l'énergie de l'Ontario a été créée pour participer au financement ou à d'autres aspects de projets dont l'objectif était d'augmenter l'approvisionnement énergétique en Ontario. Au cours des dernières années, la Société s'est conformée à un mandat de désinvestissement. En 1992, le mandat de la Société visant à réorienter ses activités d'exploitation vers les coentreprises dans le secteur énergétique, les projets de gestion énergétique, de même que vers les activités de développement des affaires et de développement humanitaire connexe dans les régions du Nord et dans la communauté autochtone de l'Ontario, a été reconduit.

## 2. PLACEMENT DANS SUNCOR INC.

Suncor Inc. est une société pétrolière et gazière canadienne intégrée. Au 31 décembre 1991, la Société détenait 25 % des actions ordinaires de Suncor Inc. Le 18 mars 1992, la participation de la Société dans Suncor Inc. a été réduite à 14 % à la clôture d'un appel public à l'épargne de Suncor Inc. visant 10 000 000 d'actions ordinaires, dont 6 000 000 étaient auparavant détenues par la Corporation. Le produit par action ordinaire a été de 19,00 \$, dont une tranche de 9,50 \$ a été reçue à la clôture et une tranche de 9,50 \$ est exigible le 18 mars 1993. Le produit net réalisé par la Société s'est élevé à 52 622 000 \$ pour le premier versement, déduction faite des commissions de 4 378 000 \$. Le produit de 57 000 000 \$ pour le deuxième versement devant être encaissé le 18 mars 1993 est compris dans les débiteurs au 31 décembre 1992.

Lorsque la Société détenait 25 % des actions ordinaires de Suncor Inc., ce placement était comptabilisé à la valeur de consolidation. Au 31 décembre 1992, le placement de 14 % est comptabilisé au coût. Les chiffres correspondants des exercices précédents ont été redressés pour tenir compte du placement au coût avec un ajustement correspondant à la réduction de la valeur du placement dans Suncor Inc. au 31 décembre 1991. Se reporter à la note 6 c) portant sur la vente ultérieure du reste du placement de 14 %.

Suncor Inc. a pour politique de verser des dividendes trimestriels de 0,26 \$ par trimestre (1,04 \$ par année) par action ordinaire. Le dividende du premier trimestre de 1992 a été versé aux actionnaires inscrits juste avant l'appel public à l'épargne.

## 3. CAPITAL-ACTIONS

Capital-actions aux 31 décembre 1992 et 1991

Autorisé

Un nombre illimité d'actions ordinaires

20 000 000 d'actions spéciales sans droit de vote

Émis

2 000 000 d'actions ordinaires

Moins

45 708 actions ordinaires détenues par le

Trésor, comptabilisées au coût

2 285 000

97 715 000 \$

ÉTAT DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE		de l'exercice terminé le 31 décembre 1992		(en milliers) (redressé, note 2)	
RENTRÉES (SORTIES) NETTES D'ENCAISSE LIÉES AUX ACTIVITÉS SUIVANTES					
EXPLOITATION					
Bénéfice net (perte nette) de l'exercice		6 724	\$	(36 078)	\$
Éléments sans incidence sur les mouvements de l'encaisse		-		51 169	
Réduction de la valeur du placement dans Suncor Inc.					
Gain avant déduction des commissions découlant de la vente d'actions de Suncor Inc.		(3 990)		-	
		2 734		15 091	
Variations du fonds de roulement d'exploitation		42		172	
Débiteurs et frais payés d'avance		1 877		14	
Créditeurs et charges à payer					
		4 653		15 277	
INVESTISSEMENT					
Produit de la vente d'actions de Suncor Inc. (premier versement)		57 000		-	
		61 653		15 277	
FINANCEMENT					
Dividendes versés		(82 273)		-	
(Diminution) augmentation de l'encaisse		(20 620)		15 277	
ENCAISSE ET PLACEMENTS À COURT TERME AU DÉBUT DE L'EXERCICE					
		33 073		17 796	
ENCAISSE ET PLACEMENTS À COURT TERME À LA FIN DE L'EXERCICE					
		12 453	\$	33 073	\$

# ÉTAT DES RÉSULTATS ET DU DÉFICIT

de l'exercice terminé le 31 décembre 1992

(en milliers)  
(redressé,  
note 2)

REVENUS	1992	1991
Dividendes (note 2)	9 457 \$	14 273 \$
Intérêts	976	1 729
Autres revenus	54	53
	<u>10 487</u>	<u>16 055</u>

FRAIS	1992	1991
Frais généraux et administratifs	1 088	943
Dépenses reliées aux projets (note 5)	225	-
	<u>1 313</u>	<u>943</u>

BÉNÉFICE PROVENANT DE L'EXPLOITATION	1992	1991
--------------------------------------	------	------

RÉDUCTION DE LA VALEUR DU PLACEMENT	9 174	15 112
DANS SUNCOR INC. (note 2)	-	(51 169)

COÛTS, DÉDUCTION FAITE DU PRODUIT DE LA	(2 450)	(21)
VENTE D' ACTIONS DE SUNCOR INC. (note 2)	6 724	(36 078)

BÉNÉFICE NET (PERTE NETTE) DE L'EXERCICE	(82 273)	-
DIVIDENDES VERSÉS	(140 375)	(104 297)

DÉFICIT AU DÉBUT DE L'EXERCICE	(215 924) \$	(140 375) \$
DÉFICIT À LA FIN DE L'EXERCICE	<u>208 726</u>	<u>282 398</u>

ACTIF	1992	1991
ACTIF À COURT TERME	12 453 \$	33 073 \$
Encaisse et placements à court terme	57 045	87
Débiteurs et frais payés d'avance (note 2)	69 498	33 160
PLACEMENT DANS SUNCOR INC. (notes 2 et 6 c)	<u>139 228</u>	<u>249 238</u>

PASSIF	1992	1991
PASSIF À COURT TERME	1 935 \$	58 \$
Créditeurs et charges à payer		

AVOIR DE L'ACTIONNAIRE	97 715	97 715
Capital-actions (note 3)	325 000	325 000
Surplus d'apport	(215 924)	(140 375)
Déficit	<u>206 791</u>	<u>282 340</u>

Approuvé par le conseil d'administration:

George R. Davies, administrateur

Robert A. Simpson, administrateur

À L'ACTIONNAIRE DE LA  
SOCIÉTÉ DE L'ÉNERGIE DE L'ONTARIO

Nous avons vérifié le bilan de la Société de l'énergie de l'Ontario au 31 décembre 1992 ainsi que les états des résultats et du déficit et de l'évolution de la situation financière de l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la Société. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des éléments probants à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers présentent fidèlement, à tous égards importants, la situation financière de la Société au 31 décembre 1992 ainsi que les résultats de son exploitation et l'évolution de sa situation financière pour l'exercice terminé à cette date selon les principes comptables généralement reconnus.



Comptables agréés

Toronto (Ontario)  
Le 12 mars 1993  
sauf pour la note 6 qui  
est datée du 30 avril 1993

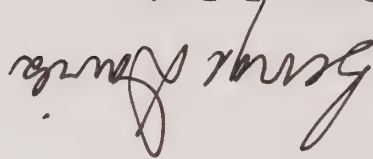
PRÉPARATION ET RÉVISION  
DES ÉTATS FINANCIERS

La direction a préparé les états financiers selon les principes comptables généralement reconnus. La direction est également responsable des autres renseignements contenus dans le rapport annuel, lesquels correspondent aux états financiers.

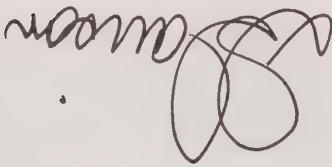
Il incombe au conseil d'administration de s'assurer que la direction assume ses responsabilités en ce qui a trait à l'information financière et au contrôle interne. Pour ce faire, le conseil s'est doté d'un comité de vérification composé d'administrateurs qui ne sont pas des membres du personnel de la Société. Le comité de vérification se réunit avec la direction et les vérificateurs externes régulièrement chaque année afin de s'assurer que la direction assume ses responsabilités comme il se doit et de procéder à la révision annuelle des états financiers.

Les vérificateurs externes, Deloitte & Touche, effectuent une révision indépendante, selon les normes comptables généralement reconnues, et expriment leur opinion sur les états financiers de la Société. La révision des vérificateurs comprend un examen et une évaluation du système de contrôle interne de la Société. Les vérificateurs ont recours à des sondages appropriés et à d'autres méthodes visant à fournir un degré raisonnable de certitude relativement à la fidélité des états financiers. Les vérificateurs externes ont accès pleinement et librement au comité de vérification du conseil. Pour sa part, le vérificateur provincial a accès aux dossiers de travail des vérificateurs externes et les examine de temps à autre.

Le président  
du conseil d'administration  
et président-directeur général,

  
George R. Davies

Le directeur général,

  
Douglas W. Davison

Victor A. Bailey  
 Directeur, finances et administration  
 Ministère de l'Énergie

Murray Coolican  
 Secrétaire  
 Secréariat des affaires  
 autochtones de l'Ontario

Bryan P. Davies \*  
 Vice-président, affaires commerciales  
 Université de Toronto

George R. Davies  
 Sous-ministre  
 Ministère de l'Énergie

George A. Dorniny \*  
 Directeur, Section du pétrole et du gaz  
 Élaboration et coordination des politiques  
 Ministère de l'Énergie

Robert A. Simpson \*

\* Membre du comité de vérification

## DIRIGEANTS

George R. Davies  
 Président du conseil d'administration  
 Président-directeur général

Victor A. Bailey  
 Trésorier

Robert Law  
 Secrétaire

Douglas W. Davison  
 Directeur général

Deloitte & Touche

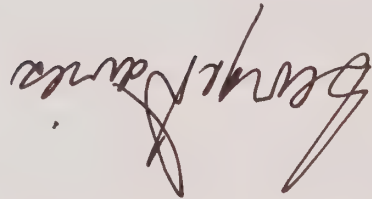
## VÉRIFICATEURS

Deborah Rau, directrice des finances et de l'administration. En 1993, la Société conservera son personnel de base restreint et réorganisera le conseil d'administration afin de mieux rendre compte de la diversification de sa clientèle.

Je tiens à remercier le conseil d'administration et le personnel de la Société pour les efforts déployés au cours de 1992. L'expérience de la Société de l'énergie de l'Ontario dans ses nouveaux secteurs d'activité lui a permis de se tailler une place de choix dans l'avenir de l'énergie en Ontario.

Présenté respectueusement au nom du conseil d'administration.

Le président du conseil d'administration  
et président-directeur général,



George R. Davies

En 1992, la Société a achevé l'examen de son orientation future, projet qui avait été entrepris l'exercice précédent. À la suite de cet examen, les objectifs de la Société ont été élargis de façon à inclure des activités commerciales qui permettront aux peuples autochtones et aux collectivités du Nord de la province de participer davantage au secteur énergétique.

En 1992, la Société a également préparé le terrain pour la création d'un partenariat avec des autochtones et non-autochtones dans le but de mettre sur pied des projets énergétiques indépendants à petite échelle, de saisir des occasions d'affaires liées à l'exploitation de grandes sociétés à vocation énergétique et de créer une société autochtone à vocation énergétique dans le nord de l'Ontario.

L'appui accordé par la Société au programme d'accès aux études en génie offert aux autochtones (NAPÉ) par Lakehead University a été le plus remarquable des événements qui ont eu lieu au cours de l'exercice. Grâce aux initiatives de la Société, d'autres entreprises provinciales et nationales exerçant des activités dans le domaine de l'énergie ont également accordé leur appui au programme. La Société estime que le programme NAPÉ entraînera la participation future d'ingénieurs autochtones, ce qui favoriserait tous les aspects du secteur énergétique de l'Ontario.

Les éléments d'actif de la Société ont diminué de 73,7 millions de dollars en 1992, en grande partie à cause du versement de dividendes de 82,3 millions de dollars à l'actionnaire et de l'encassement de 9,4 millions de dollars en dividendes provenant de Suncor Inc.

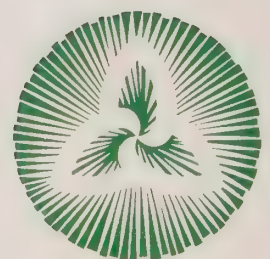
Après la fin de son exercice, la Société a vendu le reste de sa participation de 14 % dans Suncor en contrepartie de 25,25 \$ l'action. Le produit net, déduction faite des commissions, s'est élevé à 189,8 millions de dollars. Après la fin de l'exercice également, la Société a versé à son actionnaire des dividendes totalisant 161 millions de dollars et un montant de 85,8 millions de dollars à titre de remboursement du capital.

Au cours de 1992, M. Mark Krasnick a démissionné du conseil d'administration en raison d'une relocalisation et M. Murray Coolican, Secrétaire, Secréariat des affaires autochtones de l'Ontario, a assuré la relève. En outre, plusieurs autres personnes sont entrées au service de la Société : Beverly Maracle, coordonnatrice des services commerciaux; Peter Carrie, directeur des projets énergétiques; et

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# **SOCIÉTÉ DE L'ÉNERGIE DE L'ONTARIO**

Rapport annuel 1992

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JUL 6 1994

